

**CITY OF LANCASTER
FAIRFIELD COUNTY**

SINGLE AUDIT

YEAR ENDED DECEMBER 31, 2007



Mary Taylor, CPA
Auditor of State

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

We have reviewed the *Independent Auditors' Report* of the City of Lancaster, Fairfield County, prepared by Wolfe, Wilson & Phillips, Inc., for the audit period January 1, 2007 through December 31, 2007. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Mary Taylor

Mary Taylor, CPA
Auditor of State

July 30, 2008

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CITY OF LANCASTER

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**CITY OF LANCASTER
FAIRFIELD COUNTY
SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2007**

Federal Grantor/ Sub-Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
(Direct Award)			
Community Development Block Grant	N/A	14.218	
CDBG 03			1,000
CDBG 04			26,228
CDBG 05			117,170
CDBG 06			403,915
CDBG 07			<u>61,580</u>
Total Community Development Block Grant			609,893
Home Investment Partnerships Program	N/A	14.239	56,559
Total U.S. Department of Housing and Urban Development			666,452
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>			
Pass through Ohio Department of Transportation			
Federal Transit Capital/Operating Grant	RPT4023-026-071	20.509	<u>341,751</u>
Total U.S. Department of Transportation			341,751
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
Pass through Ohio Office of Criminal Justice Services			
Local Law Enforcement Block Grant	2005-DJ-BX-1221	16.592	<u>13,028</u>
			13,028
Pass through Local ADAMH Board Adult Drug Court Grant	2005-DC-BX-0033	16.585	64,505
Total U.S. Department of Justice			77,533
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
(Direct Award)			
Assistance to Firefighters Grant	EMW-2006-FG-09652	97.044	<u>85,590</u>
Total U.S. Department of Homeland Security			85,590
Total Federal Awards Expenditures			<u>\$ 1,171,326</u>

See notes to Schedule of Federal Awards Expenditures.

CITY OF LANCASTER

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

Program Title: Community Development Block Grant; CFDA#: 14.218; Amount: \$120,637.

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

NOTE C - REVOLVING LOAN PROGRAMS

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

These loans are collateralized by mortgages on the property. At December 31, 2007, the gross amount of loans outstanding under the Community Development Block Grant (CDBG) program was \$885,325. At December 31, 2007, the gross amount of loans outstanding under the Home Improvement Partnerships Program was \$771,910.

NOTE D - MATCHING REQUIREMENTS

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

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lancaster as of and for the year ended December 31, 2007, and have issued our report thereon dated May 15, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lancaster's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which we have reported to management of City of Lancaster in a separate letter dated May 15, 2008.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
May 15, 2008

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

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

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

Compliance

We have audited the compliance of City of Lancaster with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended December 31, 2007. City of Lancaster's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Lancaster's management. Our responsibility is to express an opinion on the City of Lancaster's compliance based on our audit.

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

In our opinion, City of Lancaster complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2007.

Internal Control Over Compliance

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

Internal Control Over Compliance (Continued)

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 administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control.

Our consideration of the 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.

Schedule of Federal Award Expenditures

We have audited the financial statements of the governmental activities, business-type activities, each major fund and the aggregated remaining fund information of City of Lancaster as of and for the year ended December 31, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 15, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of federal award expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

Wolfe, Wilson, & Phillips, Inc.
Zanesville, Ohio
May 15, 2008

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

**CITY OF LANCASTER
DECEMBER 31, 2007**

1. AUDITOR'S RESULTS

<i>(d)(1)(I)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(II)</i>	Were there any other significant deficiencies In internal control reported at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iii)</i>	Was there any reported non-compliance at the financial statement level (GAGAS)?	NO
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	NO
<i>(d)(1)(iv)</i>	Were there any other 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 section .510?	NO
<i>(d)(1)(vii)</i>	Major Programs (List):	Transit #20.509
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B	Type A: >\$300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

NONE

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

NONE

CITY OF LANCASTER, OHIO

Fairfield County, Ohio



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2007



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2007

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



***Letter of Transmittal
For the Year Ended December 31, 2007***



CITY OF LANCASTER

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

phone (740) 687-6611

fax (740)-681-5064

May 15, 2008

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, 2007.

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, 2007***

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

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

City Overview

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

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

Items of Local Interest

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

Culture and Education

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

***Letter of Transmittal
For the Year Ended December 31, 2007***

ECONOMIC CONDITION AND OUTLOOK

The Historic community of Lancaster saw an active 2007 retail and commercial year. The recent housing boom was followed by the largest retail expansion in over twenty years. The project, which began in 2006, continues to grow in land size and building space. Two of the four big box retailers are currently open for business (Kohl's and Wal-Mart) with Menards Home Improvement store opening April 2008 and the Giant Eagle grocer beginning construction later in April. Smaller retailers, banking institutions, and restaurants are in various stages of development with some open, some soon to open, and some about to begin construction. The Memorial Drive revitalization project complete with sidewalks and improved lighting has had a positive impact on the shopping districts and bringing consumers from both in-town and out-of-town to shop.

Commercial services also expanded. A new financial products call-center (Global Contact Services Inc.) opened second quarter 2007 and added one hundred-fifty jobs to the local economy. The Fairfield County Social Security office is in the process of moving to a new facility from a retail facility. Plans for that retail facility have already been finalized with an "Old Navy" clothing retailer. Other commercial services have expanded and found space in office centers such as the new Oatney Professional Building. As County Seat for Fairfield County, Lancaster has experienced job growth in various government sectors. Since 2006, Fairfield County is the third fastest growing county in the Columbus MSA and the fifth fastest growing County in Ohio.

As a Regional Medical provider, The Fairfield Medical Center (FMC) and River Valley Medical Facility continue to offer new services and grow the local economy. Fairfield Medical Center, a 220 bed full service hospital provides a full range of services from emergency trauma to open heart surgery. With over 250 doctors on staff and over 2,200 employees, FMC continues to be a catalyst for economic stimulus for the City. The completion of the Fairmore medical offices located adjacent to FMC continues to fill with new doctors and services.

The retirement community has seen a growth in options as our population ages. New facilities like the Villas at Wesley Hills, Inn at Fairfield Village, and the Pershing House opened in 2007 offering full range of service from assisted living to Alzheimer's specialized care. These new residents also expand the economic activity in Lancaster as new and expanded services are required unique for the needs of this age group. Additionally, the Pickering House, a beautiful new hospice facility was completed in 2007 providing a multi-county facility and operations in Lancaster.

The Industrial sector of the Lancaster Economy continues to be productive and 2007 saw numerous local manufacturers expand. Diamond Power International, Mondi Packaging and Anchor Hocking Corporation added building space and over 150 new employment opportunities. Fox Mechanical, Inc. completed a new facility and will move in April 2008. U.S. Corrugated announced in March 2008, that it will build a new 314,000 square foot facility at a cost of approximately ten million dollars with equipment investment of fifteen million dollars. The Lancaster plant will provide 110 new jobs and will be completed by mid October 2008.

***Letter of Transmittal
For the Year Ended December 31, 2007***

The combination of City and County Governments, Regional Development, Private Sector Development, Medical Services, and Education and Arts activities work well together that stimulates the local economic status for the Lancaster community. The City has long-range goals and plans to continue to be a vibrant and growing City.

MAJOR INITIATIVES

A major focus of the City's capital improvement program since 2001 has been the development of the Rock Mill Corporate Park. In that year, City Council determined the development of the Rock Mill Corporate Park (RMCP) 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 more prime properties in the corporate park for development. In addition, the Bypass and SR 188 interchange area is fully served for commercial growth. Construction drawings are complete to construct an extension of Mill Park Drive north from Wilson Road to open more developable property in RMCP.

The next major project for RMCP is the upgrade to Camp Ground Road to improve it to industrial park street standards. The Part 1 improvements will reconstruct Camp Ground Road from Fair Avenue to 1300-feet north.

Development in the northwest corridor along US 33 created the need for upgrades to the City's water distribution system. The last water main improvement in this plan was completed in 2007. A water main now runs the full length of Ety Road and connects to the water distribution system north of Memorial Drive in North Columbus Road. This completed loop provides more reliable service for the new commercial entities locating along Ety Road. The previous improvements were performing better than expect so a restudy has shown that a 1 or 2-million gallon water storage tank planned for the vicinity of SR 158 and Rainbow Drive will not be needed.

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 should be completed in 2008.

The City was able to perform a small, two-part contract street improvement program in 2007. On part one a contract for conventional milling and resurfacing was let that planed the existing pavement surface and replaced it with a new asphalt concrete surface course. On part two, micro-surface treatments were applied to streets with less severe deterioration. Completion of both parts of this project resulted in streets with new surfaces that should stem deterioration of the pavement structure that would have occurred from the infiltration of water into the street base.

***Letter of Transmittal
For the Year Ended December 31, 2007***

The Lancaster Department of Transportation (LDoT) continued the preventive maintenance program that began in 2002. 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 City's apportionment of federal surface transportation program (STP) funds had been earmarked for the Memorial Drive Reconstruction project until the upcoming fiscal year. STP funds may only be used on streets on the Federal-Aid Off-System map, but those streets are the City's major streets. At year's end, the City and the Fairfield County Engineer's Office (FCEO) were working on a joint project to resurface Tiki Lane Road and Sheridan Drive both in and outside the City. STP funds will be used to pay for 80% of the construction costs while the FCEO will provide the local 20% match. At year's end, other projects eligible for STP funds were being identified for future implementation.

Development pressures are also driving the upgrade to an existing sanitary sewer. Rainbow Drive east of Ewing Run is served by an eight-inch sewer. Proposed multi-family developments in its tributary area, and the County Utilities proposed connection of its Pleasant Lea and Lakeside sanitary sewer systems into the City's system through this sewer have deemed it hydraulically deficient. Plans are finalized, however; a bid date has not been established.

Amendments to the federal Clean Water Act have directed pollution mitigation efforts to other water pollution sources, one being combined sewer overflows (CSO's). Older cities like Lancaster have combined sewers that carry both sanitary and storm flows in the same conduits. During and after rain events those sewers become filled beyond capacity and the system outlets the excess flow to streams and rivers. Those outlet points are CSO's. The CSO's are 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 new NPDES permit. The City anticipates spending \$70M over the next 15-years to construct the required improvements to the City's sewerage system.

Another major project to reduce the frequency of CSO overflow events was the Lake/Allen/Maple Sewer Improvement project. Another purpose of this project was to separate storm and sanitary sewer flows in this Sewer District to eliminate basement flooding in the Lake-Allen area. Work began on the Lake/Allen/Maple project in late 2006 and was substantially complete in December 2007.

City personnel are working with Congressman David Hobson to secure a federal construction grant to start Phase 2 of the Pleasant Run Sanitary Trunk Sewer. The second phase will extend the trunk sewer east in East Main Street to near the Marietta Road intersection. The replacement of the existing undersized and shallow sanitary sewer currently serving this section of Main Street should entice additional development along this important commercial corridor.

***Letter of Transmittal
For the Year Ended December 31, 2007***

Another area of study for the City resulting from the 1987 amendment to the Clean Water Act pertains to stormwater controls. The U.S. Environmental Protection Agency (US EPA) issued Phase II regulations in December 1999 requiring small Cities to implement controls, programs and policies to control both the quantity and quality of stormwater runoff. In 2006, the City was declared an Appendix 7 community, meaning the City is required to meet Phase II regulations and obtain a stormwater NPDES permit.

Two badly deteriorated culverts under North Columbus Street east of Ety Road have been programmed for replacement using stormwater funds as the local match to federal surface transportation program funds. Both culverts appear on a 1923 set of construction drawings for that section of street as being existing at that time. Both culverts have deteriorated concrete end wall sections with a deteriorated sandstone-block center section. In addition, they are functionally obsolete in that the roadways they carry are narrow by current standards for the traffic they carry. Construction plans are complete, but right-of-way acquisition still needs to be done. Construction is programmed for 2008.

A section of storm sewer along West Sixth Avenue immediately west of the Hocking River was inspected and found to be failing in places due to gas lines punched through it and the pipe's age. The replacement sewer was constructed in 2007. Punch list items of work remain to be performed at year's end.

The Hubert-Reese area has had stormwater problems since its initial construction in the early 1950's. The area was developed in the Hocking River floodplain without an adequate drainage system. A report on remedies to the problems was prepared, and the City began a five-phase program to mitigate the problems. Phase 3 of Hubert Reese involves installing storm sewers on Eagle Avenue and several alleys. These sewers were deferred from Phase 2 construction of the stormwater pumping station due to funding in the 2003. The sewers in this phase will connect to the Whiley Avenue stormwater pumping station installed in Phase 2. Construction is anticipated in late 2008.

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 2008.

The City received a \$250,000 grant in 2005 from the Clean Ohio Conservation Fund to purchase approximately 58-acres. The property located on the opposite side of the Hocking River from the City's Water Pollution Control Facility is 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. The property purchase was finalized in 2006. Originally, the project site was to be developed as a wetland, with the Army Corps of Engineers providing construction funding for the wetlands. However, due to federal budget cuts the project was suspended indefinitely. The City has contacted the Ohio Wetlands Corporation to develop a "wetlands bank" on the site. The site is being evaluated at year's end.

***Letter of Transmittal
For the Year Ended December 31, 2007***

One major environmental project with economic development emphasis is the redevelopment of the former Anchor Hocking Plant 2 site on South Ewing Street. It was the largest environmental project scheduled for 2007. The project involved the demolition and remediation of approximately 18 acres at the rear of the former Anchor Hocking Plant 2 facility. The City received a Clean Ohio Revitalization Fund Grant (CORF) of approximately \$3,000,000 in 2004 for cleanup of the property. The City prepared bid documents and let the project in 2006 with work beginning in early 2007. At year's end, the project is 90-percent complete with seeding and grading activities to be finished in 2008. Upon completion of that work the City will file a No Further Action submittal to OEPA for approval. Once approved, the site will have a clean bill of health and will provide the City with a prime industrial site having a rail siding for economic development.

The City acquired the former Frick-Gallagher manufacturing site along the east side of South Ewing Street proximate to the former Anchor Hocking Plant 2 site in late 2007. The abandoned complex is an eyesore and deemed a safety concern. A Phase I environmental site investigation was performed at the site in 2002. The investigation identified several contaminants of concern. Those contaminants include asbestos and some limited carbon soil contamination. Plans for 2008 include revising and updating the Phase I investigation and performing a Phase II investigation. Once completed a cost estimate can be developed for demolition and cleanup of the site. The City can then pursue a Site Specific Brownfields Remediation Grant from the state. Currently there are no future development plans for the site. The site may eventually be returned to open green space or the cleared and remediated site may provide another viable industrial site for economic development.

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.

***Letter of Transmittal
For the Year Ended December 31, 2007***

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.

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.

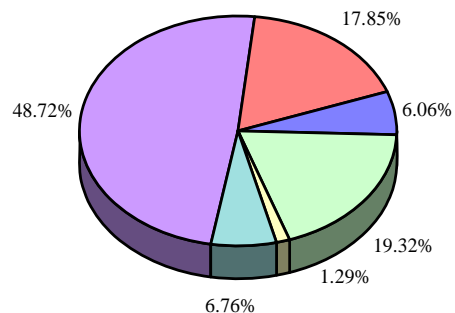
Cash Management

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, 2007 as follows:

Local Securities	\$2,529,600	6.06%
U.S. Agencies	8,068,698	19.32%
STAR Ohio	540,161	1.29%
Certificates of Deposit	2,826,775	6.76%
Repurchase Agreements	20,349,467	48.72%
Cash	7,457,645	17.85%
Total Resources	\$41,772,346	100.00%



***Letter of Transmittal
For the Year Ended December 31, 2007***

The City earned interest of \$2,408,930 on investments for fiscal year 2007. 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, 2007, the City had deposits of \$10,284,420 which were collateralized by pooled collateral. The Ohio Revised Code provides for the establishment of collateral pools by financial institutions designed to safeguard public deposits. The face value of the pooled collateral must equal at least 105 percent of the public funds on deposit with the financial institution. The collateral is held by the financial institution (see Note 3 of the financial statements). All deposits are made under contracts with local banking institutions pursuant to statute.

Risk Management

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

OTHER INFORMATION

Independent Audit

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

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ending December 31, 2006. This was the twenty-first 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, 2007***

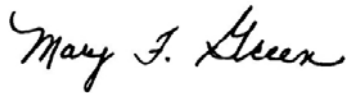
Public Disclosure

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

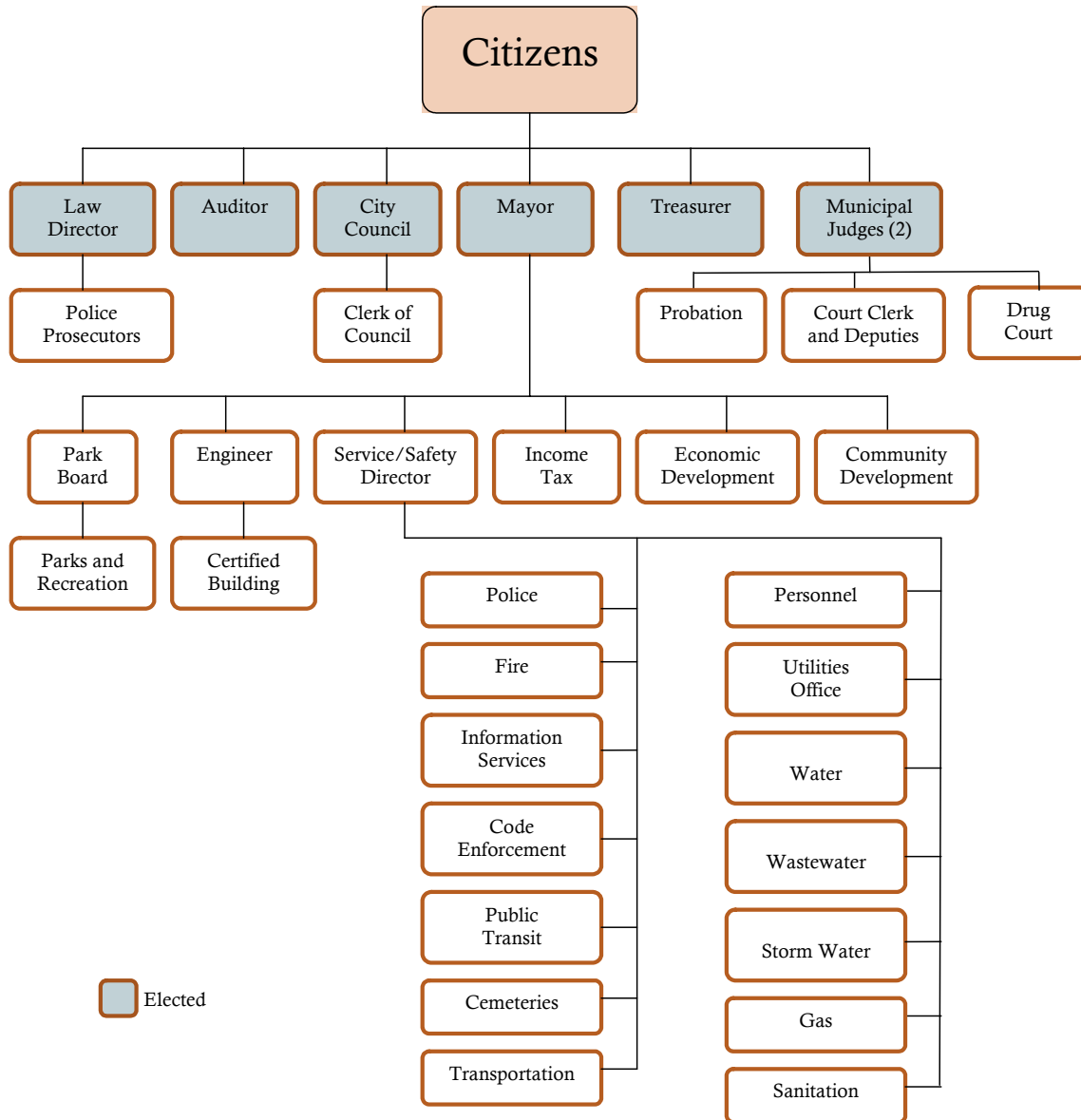
CITY OF LANCASTER, OHIO

***List of Principal Officials
For the Year Ended December 31, 2007***

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

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

**City Organizational Chart
For the Year Ended December 31, 2007**



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, 2006

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.

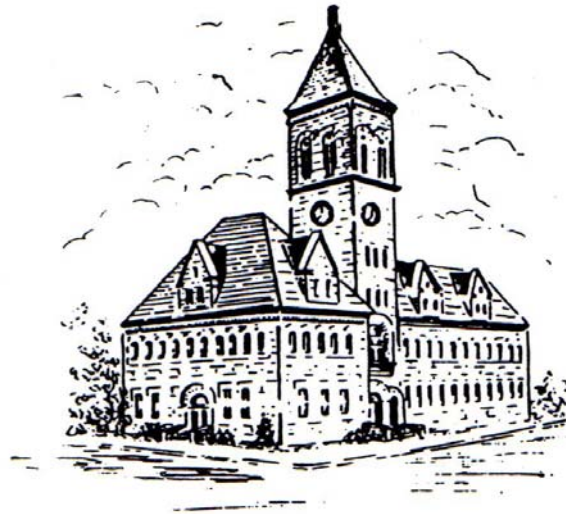


Charles S. Cox

President

Jeffrey R. Emer

Executive Director



FINANCIAL SECTION



WOLFE, WILSON, & PHILLIPS, INC.
CERTIFIED PUBLIC ACCOUNTANTS

37 S. SEVENTH STREET • ZANESVILLE, OHIO 43701
(740) 453-9600 • FAX - (740) 453-9763
www.wwpcpa.com

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lancaster as of and for the year ended December 31, 2007, which collectively comprise the City's financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lancaster as of December 31, 2007, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated May 15, 2008, on our consideration of City of Lancaster's internal control structure over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Independent Auditors Report
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Lancaster's basic financial statements. The Introductory Section, Combining Statements, Individual Fund Schedules and Statistical Section provide additional information and are not a required part of the basic financial statements. We subjected the Combining Statements and Individual Fund Schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the Introductory Section or Statistical Section to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Wolfe, Wilson, & Phelan, Inc

Zanesville, Ohio
May 15, 2008

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, 2007. 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 2007 are as follows:

- ❑ In total, net assets increased \$6,242,845. Net assets of governmental activities increased \$3,386,258 which represents a 9.3% increase from 2006. Net assets of business-type activities increased \$2,856,587 or 4.5% from 2006.
- ❑ General revenues accounted for \$24,666,416 in revenue or 28.4% of all revenues. Program specific revenues in the form of charges for services, and grants and contributions accounted for \$62,265,862, 71.6% of total revenues of \$86,932,278.
- ❑ The City had \$35,989,978 in expenses related to governmental activities; only \$14,641,820 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$24,666,416 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$24,853,322 in revenues and other financing sources and \$25,226,759 in expenditures and other financing uses. The general fund's fund balance decreased from \$4,490,320 to \$4,050,905.

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, the Capital Improvement 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, 2007**

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 2007 compared to 2006:

	Governmental		Business-type		Total	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Current and other assets	\$24,803,927	\$25,240,708	\$45,034,372	\$52,846,687	\$69,838,299	\$78,087,395
Capital assets, Net	38,321,058	31,760,236	91,339,159	84,005,647	129,660,217	115,765,883
Total assets	63,124,985	57,000,944	136,373,531	136,852,334	199,498,516	193,853,278
Long-term debt outstanding	11,641,648	10,251,663	55,811,787	58,397,877	67,453,435	68,649,540
Other liabilities	11,810,653	10,462,855	14,724,488	15,473,788	26,535,141	25,936,643
Total liabilities	23,452,301	20,714,518	70,536,275	73,871,665	93,988,576	94,586,183
Net assets						
Invested in capital assets, net of related debt	25,645,197	23,975,773	33,974,969	30,722,799	59,620,166	54,698,572
Restricted	9,988,647	7,586,314	1,051,465	1,054,021	11,040,112	8,640,335
Unrestricted	4,038,840	4,724,339	30,810,822	31,203,849	34,849,662	35,928,188
Total net assets	\$39,672,684	\$36,286,426	\$65,837,256	\$62,980,669	\$105,509,940	\$99,267,095

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CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Unaudited

Changes in Net Assets – The following table shows the changes in net assets for 2007 compared to 2006:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues:						
Charges for Services and Sales	\$6,084,871	\$5,505,385	\$45,678,350	\$47,443,675	\$51,713,221	\$52,949,060
Operating Grants and Contributions	5,641,639	3,606,523	0	0	5,641,639	3,606,523
Capital Grants and Contributions	2,965,310	2,054,029	1,945,692	2,371,650	4,911,002	4,425,679
Total Program Revenues	14,641,820	11,165,937	47,624,042	49,815,325	62,265,862	60,981,262
General Revenues:						
Property Taxes	2,468,528	2,348,863	0	0	2,468,528	2,348,863
Income Taxes	16,129,114	15,641,005	0	0	16,129,114	15,641,005
Other Local Taxes	550,548	516,698	0	0	550,548	516,698
Intergovernmental Revenues not Restricted to Specific Programs	3,048,567	2,604,474	0	0	3,048,567	2,604,474
Investment Earnings	1,352,560	1,159,085	0	0	1,352,560	1,159,085
Miscellaneous	1,117,099	722,979	0	0	1,117,099	722,979
Total General Revenues	24,666,416	22,993,104	0	0	24,666,416	22,993,104
Total Revenues	39,308,236	34,159,041	47,624,042	49,815,325	86,932,278	83,974,366
Program Expenses						
Security of Persons and Property	16,857,036	16,104,691	0	0	16,857,036	16,104,691
Public Health and Welfare Services	889,715	878,467	0	0	889,715	878,467
Leisure Time Activities	2,278,778	2,124,266	0	0	2,278,778	2,124,266
Community Environment	670,861	959,561	0	0	670,861	959,561
Transportation	5,109,759	4,342,096	0	0	5,109,759	4,342,096
General Government	9,709,530	7,223,816	0	0	9,709,530	7,223,816
Interest and Fiscal Charges	474,299	322,513	0	0	474,299	322,513
Gas	0	0	23,856,601	23,771,384	23,856,601	23,771,384
Water	0	0	8,508,514	8,513,968	8,508,514	8,513,968
Water Pollution	0	0	7,387,509	7,226,506	7,387,509	7,226,506
Sanitation	0	0	3,149,630	3,083,340	3,149,630	3,083,340
Storm Water	0	0	1,797,201	1,159,357	1,797,201	1,159,357
Total Expenses	35,989,978	31,955,410	44,699,455	43,704,555	80,689,433	75,659,965
Change in Net Assets before transfers	3,318,258	2,203,631	2,924,587	6,110,770	6,242,845	8,314,401
Transfers	68,000	0	(68,000)	0	0	0
Total Change in Net Assets	3,386,258	2,203,631	2,856,587	6,110,770	6,242,845	8,314,401
Beginning Net Assets	36,286,426	34,082,795	62,980,669	56,869,899	99,267,095	90,952,694
Ending Net Assets	\$39,672,684	\$36,286,426	\$65,837,256	\$62,980,669	\$105,509,940	\$99,267,095

Governmental Activities

Net assets of the City's governmental activities increased by \$3,386,258. The increase in net assets is a result of an increase in capital assets, specifically streets donated by developers and an increase in income taxes due to new businesses locating in the City.

CITY OF LANCASTER, OHIO

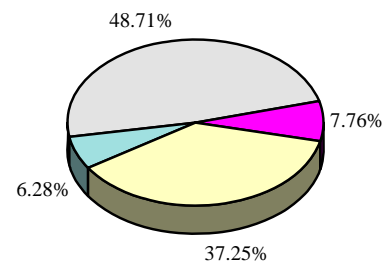
**Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Unaudited

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

Income taxes and property taxes made up 41.0% and 6.3% respectively of revenues for governmental activities for the City in fiscal year 2007. The City's reliance upon tax revenues is demonstrated by the following graph indicating 48.71% of total revenues from general tax revenues:

Revenue Sources	2007	Percent of Total
General Tax Revenues	\$19,148,190	48.71%
Unrestricted Intergovernmental	3,048,567	7.76%
Program Revenues	14,641,820	37.25%
General Other	2,469,659	6.28%
Total Revenue	\$39,308,236	100.00%



Business-Type Activities

Net assets of the business type activities increased by \$2,856,587. This increase was the result of an increase in infrastructure from developer donated water, sewer and storm water lines.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$6,229,187, which is a decrease from last year's balance of \$8,758,796. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2007 and 2006:

	Fund Balance December 31, 2007	Fund Balance December 31, 2006	Increase (Decrease)
General	\$4,050,905	\$4,490,320	(\$439,415)
Capital Improvement	719,357	42,873	676,484
Ety Road TIF Project	(4,146,275)	(794,232)	(3,352,043)
Other Governmental	5,605,200	5,019,835	585,365
Total	\$6,229,187	\$8,758,796	(\$2,529,609)

CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2007**

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:

	2007	2006	Increase
	Revenues	Revenues	(Decrease)
Taxes	\$16,680,031	\$15,997,028	\$683,003
Intergovernmental Revenue	2,891,129	3,101,113	(209,984)
Charges for Services	2,608,724	2,616,552	(7,828)
Licenses, Permits, and Fees	25,359	23,701	1,658
Investment Earnings	1,201,418	1,094,359	107,059
Fines and Forfeitures	757,321	739,430	17,891
All Other Revenue	610,856	518,093	92,763
Total	<u>\$24,774,838</u>	<u>\$24,090,276</u>	<u>\$684,562</u>

General Fund revenues in 2007 increased approximately 2.8% compared to revenues in fiscal year 2006. The increase in tax revenues is the result of an increase in new business locating within the city limits. Intergovernmental revenue decreased due to Local Government shared revenues not being received during the period of availability. Investment earnings increased as a result of higher overall interest rates during 2007 compared to 2006.

	2007	2006	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$16,055,662	\$15,192,865	\$862,797
Public Health and Welfare Services	294,822	281,000	13,822
Community Environment	115,262	139,961	(24,699)
General Government	6,963,458	6,399,701	563,757
Total	<u>\$23,429,204</u>	<u>\$22,013,527</u>	<u>\$1,415,677</u>

General Fund expenditures increased by \$1,415,677 or 6.4% compared to the prior year primarily due to increased salaries and wages, a 2% pick up of police and fire pension, and a full year's wages and benefits for approximately 8 additional fire personnel hired in 2006. In addition, General Government expenditures increased due to increased fuel costs for the fuel depot and a full year's salary for personnel in the Prosecutor's office.

Capital Improvement Fund – The fund balance increased because the City received a Clean Ohio Grant of more than \$1.6 million for the Anchor Hocking Property and not all of the grant monies were spent during 2007.

Ety Road TIF Project Fund – The fund balance decreased because the City spent the remaining proceeds of notes payable received in 2006 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 2007, the City amended its General Fund budget several times. The increase in the final budget was insignificant. The positive variance with the final budget of \$1,485,242 was the result of expectations of hiring additional police and fire personnel which did not materialize and a decrease in contract labor expenses.

For the General Fund, final budget basis revenue of \$26,634,496 increased by approximately \$900,000 over the original budget estimates of \$25,719,277 as a result of higher than expected receipts of income taxes and estate taxes.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2007 the City had \$129,660,217 net of accumulated depreciation invested in buildings, equipment and vehicles. Of this total, \$38,321,058 was related to governmental activities and \$91,339,159 to the business-type activities. The following table shows fiscal year 2007 and 2006 balances:

	Governmental Activities		Increase (Decrease)
	2007	2006	
Land	\$15,815,108	\$14,774,539	\$1,040,569
Buildings	6,455,749	6,455,749	0
Improvements Other than Buildings	5,834,005	5,634,870	199,135
Infrastructure	17,551,178	14,426,845	3,124,333
Vehicles	5,788,728	5,779,456	9,272
Machinery and Equipment	4,654,934	4,656,625	(1,691)
Construction In Progress	4,194,271	904,660	3,289,611
Less: Accumulated Depreciation	(21,972,915)	(20,872,508)	(1,100,407)
Totals	<u>\$38,321,058</u>	<u>\$31,760,236</u>	<u>\$6,560,822</u>

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

***Management's Discussion and Analysis
For the Year Ended December 31, 2007***

Unaudited

	Business-Type Activities		Increase (Decrease)
	2007	2006	
Land	\$2,971,840	\$2,562,242	\$409,598
Buildings	34,601,783	34,601,783	0
Improvements	32,000,006	31,912,785	87,221
Infrastructure	59,089,235	55,437,343	3,651,892
Vehicles	3,521,335	3,411,603	109,732
Machinery and Equipment	10,831,673	10,047,434	784,239
Construction in Progress	10,686,879	3,663,611	7,023,268
Less: Accumulated Depreciation	<u>(62,363,592)</u>	<u>(57,631,154)</u>	<u>(4,732,438)</u>
Totals	<u>\$91,339,159</u>	<u>\$84,005,647</u>	<u>\$7,333,512</u>

Business type capital assets increased by \$7,333,512. The additions to infrastructure include approximately \$1.8 million in water and sanitary sewer lines and storm drainage systems donated by developers, as well as the completion of the South Ewing Street sanitary sewer extension and several storm water projects. The increase in construction in progress is the Lake Allen/Maple sewer separation project and the Upper Hocking Wastewater Plant. Additional information on the City's capital assets can be found in Note 8.

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**Management's Discussion and Analysis
For the Year Ended December 31, 2007**

Unaudited

Debt

At December 31, 2007, the City had \$3,660,000 in general obligation bonds outstanding, \$160,000 due within one year; \$12,476,503 in revenue bonds outstanding, \$350,000 due within one year; and \$39,171,688 in Ohio Water Development Authority Loans outstanding, \$2,814,687 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2007 and 2006:

	<u>2007</u>	<u>2006</u>
Governmental Activities:		
General Obligation Bond Payable	\$3,660,000	\$3,815,000
Special Assessment Bond		
with Government Commitment	292,000	306,000
Housing and Urban Development Loan	850,000	940,000
Ohio Public Works Commission Loan	82,162	88,248
State Infrastructure Bank Loan	1,155,949	0
Compensated Absences	4,742,394	4,485,365
Capital Leases	859,143	617,050
Total Governmental Activities	<u>\$11,641,648</u>	<u>\$10,251,663</u>
Business-Type Activities:		
Ohio Water Development Authority Loans	\$39,171,688	\$41,823,289
Revenue Bonds Payable	12,476,503	12,824,754
Landfill Postclosure Care Liability	1,809,712	1,865,362
Capital Leases	425,521	26,714
Compensated Absences	1,928,363	1,857,758
Total Business-Type Activities	<u>\$55,811,787</u>	<u>\$58,397,877</u>
Totals	<u><u>\$67,453,435</u></u>	<u><u>\$68,649,540</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, 2007, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 11.

ECONOMIC FACTORS

Lancaster is home to a diversified community of businesses. The more than 150 manufacturing operations in the area are supported by an equal number of service operations that provide a comprehensive network of support. The Memorial Drive revitalization project complete with sidewalks and improved lighting has had a positive impact on the shopping districts and bringing consumers from both in-town and out-of-town to shop.

***Management's Discussion and Analysis
For the Year Ended December 31, 2007***

Unaudited

The Historic community of Lancaster saw an active 2007 retail and commercial year. Retail projects in 2007 included Kohl's and several small shops and restaurants. Commercial services also expanded. A new financial products call-center (Global Contact Services Inc.) opened second quarter 2007 and added one hundred-fifty jobs to the local economy. The Industrial sector of the Lancaster economy continues to be productive and 2007 saw numerous local manufacturers expand. Diamond Power International, Mondi Packaging and Anchor Hocking Corporation added building space and over 150 new employment opportunities. Fox Mechanical, Inc. completed a new facility and will move in April 2008.

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, 2007**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 5,924,098	\$ 14,379,029	\$ 20,303,127
Investments	4,704,159	13,968,996	18,673,155
Receivables:			
Taxes	5,588,771	0	5,588,771
Accounts	176,812	5,711,413	5,888,225
Intergovernmental	3,170,217	0	3,170,217
Interest	200,647	135,256	335,903
Special Assessments	534,329	0	534,329
Loans	1,657,235	0	1,657,235
Internal Balances	(1,256,281)	1,256,281	0
Inventory of Supplies	306,798	7,030,943	7,337,741
Prepaid Items	3,436,749	37,187	3,473,936
Deferred Charge	0	257,082	257,082
Restricted Assets:			
Cash and Cash Equivalents	120,819	1,624,104	1,744,923
Cash and Cash Equivalents with Fiscal Agent	239,574	153,000	392,574
Investments	0	481,081	481,081
Capital Assets Not Being Depreciated	20,009,379	13,658,719	33,668,098
Capital Assets Being Depreciated, Net	18,311,679	77,680,440	95,992,119
Total Assets	63,124,985	136,373,531	199,498,516
Liabilities:			
Accounts Payable	763,478	2,677,069	3,440,547
Accrued Wages and Benefits	1,292,013	345,186	1,637,199
Intergovernmental Payable	7,844	10,581	18,425
Claims Payable	11,900	0	11,900
Retainage Payable	120,819	435,398	556,217
Due to Others	0	137,241	137,241
Unearned Revenue	2,415,000	0	2,415,000
Accrued Interest Payable	91,824	1,248,013	1,339,837
General Obligation Notes Payable	7,107,775	9,871,000	16,978,775
Long Term Liabilities:			
Due within one year	1,957,564	3,786,798	5,744,362
Due in more than one year	9,684,084	52,024,989	61,709,073
Total Liabilities	23,452,301	70,536,275	93,988,576
Net Assets:			
Invested in Capital Assets, Net of Related Debt	25,645,197	33,974,969	59,620,166
Restricted For:			
Streets and Highways	1,417,821	0	1,417,821
Community Development	2,589,550	0	2,589,550
Security of Persons and Property	1,603,487	0	1,603,487
Capital Projects	2,897,210	0	2,897,210
Debt Service	581,074	1,051,465	1,632,539
Perpetual Care, Nonexpendable	899,505	0	899,505
Unrestricted	4,038,840	30,810,822	34,849,662
Total Net Assets	\$ 39,672,684	\$ 65,837,256	\$ 105,509,940

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Activities
For the Year Ended December 31, 2007**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 16,857,036	\$ 2,056,919	\$ 185,685	\$ 0
Public Health and Welfare Services	889,715	260,296	7,507	0
Leisure Time Activities	2,278,778	364,720	330,484	0
Community Environment	670,861	101,951	762,799	0
Transportation	5,109,759	1,366,382	2,559,670	2,965,310
General Government	9,709,530	1,884,603	1,795,494	0
Interest and Fiscal Charges	474,299	0	0	0
Total Governmental Activities	35,989,978	6,034,871	5,641,639	2,965,310
Business-Type Activities:				
Gas	23,856,601	23,183,618	0	0
Water	8,508,514	9,320,183	0	405,107
Water Pollution	7,387,509	7,794,051	0	526,994
Sanitation	3,149,630	3,605,141	0	0
Storm Water	1,797,201	1,775,357	0	1,013,591
Total Business-Type Activities	44,699,455	45,678,350	0	1,945,692
Totals	\$ 80,689,433	\$ 51,713,221	\$ 5,641,639	\$ 4,911,002

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

Transfers

Total General Revenues and Transfers

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (14,614,432)	\$ 0	\$ (14,614,432)
(621,912)	0	(621,912)
(1,583,574)	0	(1,583,574)
193,889	0	193,889
1,781,603	0	1,781,603
(6,029,433)	0	(6,029,433)
(474,299)	0	(474,299)
<u>(21,348,158)</u>	<u>0</u>	<u>(21,348,158)</u>
0	(672,983)	(672,983)
0	1,216,776	1,216,776
0	933,536	933,536
0	455,511	455,511
0	991,747	991,747
<u>0</u>	<u>2,924,587</u>	<u>2,924,587</u>
<u>(21,348,158)</u>	<u>2,924,587</u>	<u>(18,423,571)</u>
2,036,017	0	2,036,017
432,511	0	432,511
16,129,114	0	16,129,114
550,548	0	550,548
3,048,567	0	3,048,567
1,352,560	0	1,352,560
1,117,099	0	1,117,099
68,000	(68,000)	0
<u>24,734,416</u>	<u>(68,000)</u>	<u>24,666,416</u>
3,386,258	2,856,587	6,242,845
<u>36,286,426</u>	<u>62,980,669</u>	<u>99,267,095</u>
<u>\$ 39,672,684</u>	<u>\$ 65,837,256</u>	<u>\$ 105,509,940</u>

CITY OF LANCASTER, OHIO

**Balance Sheet
Governmental Funds
December 31, 2007**

	General	Capital Improvement	Ety Road TIF Project
Assets:			
Cash and Cash Equivalents	\$ 124,982	\$ 1,997,109	\$ 150,978
Investments	2,754,896	0	820,524
Receivables:			
Taxes	4,830,500	50,345	0
Accounts	143,048	0	0
Intergovernmental	1,297,644	0	0
Interest	177,485	0	9,101
Special Assessments	0	0	0
Loans	0	0	0
Due from Other Funds	56,855	0	0
Interfund Loans Receivable	35,000	0	0
Inventory of Supplies	148,054	0	0
Prepaid Items	44,233	0	0
Restricted Assets:			
Cash and Cash Equivalents	0	0	120,819
Cash and Cash Equivalents with Fiscal Agent	24,229	0	0
Total Assets	\$ 9,636,926	\$ 2,047,454	\$ 1,101,422
Liabilities:			
Accounts Payable	\$ 269,429	\$ 109,591	\$ 222,244
Accrued Wages and Benefits Payable	1,117,773	0	0
Intergovernmental Payable	7,844	0	0
Retainage Payable	0	0	120,819
Interfund Loans Payable	0	39,295	0
Deferred Revenue	4,190,975	21,102	4,870
Accrued Interest Payable	0	2,009	29,589
General Obligation Notes Payable	0	1,156,100	4,870,175
Total Liabilities	5,586,021	1,328,097	5,247,697
Fund Balances:			
Reserved for Encumbrances	98,672	0	0
Reserved for Prepaid Items	44,233	0	0
Reserved for Supplies Inventory	148,054	0	0
Reserved for Debt Service	0	0	0
Reserved for Loans Receivable	0	0	0
Reserved for Endowments	0	0	0
Unreserved, Undesignated in:			
General Fund	3,759,946	0	0
Special Revenue Funds	0	0	0
Capital Projects Funds	0	719,357	(4,146,275)
Total Fund Balances	4,050,905	719,357	(4,146,275)
Total Liabilities and Fund Balances	\$ 9,636,926	\$ 2,047,454	\$ 1,101,422

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Other Governmental Funds	Total Governmental Funds
\$ 3,452,612	\$ 5,725,681
1,128,739	4,704,159
707,926	5,588,771
33,314	176,362
1,872,573	3,170,217
14,061	200,647
534,329	534,329
1,657,235	1,657,235
0	56,855
0	35,000
155,799	303,853
12,725	56,958
0	120,819
215,345	239,574
<u>\$ 9,784,658</u>	<u>\$ 22,570,460</u>
\$ 156,882	\$ 758,146
155,294	1,273,067
0	7,844
0	120,819
220,705	260,000
2,555,835	6,772,782
9,242	40,840
1,081,500	7,107,775
<u>4,179,458</u>	<u>16,341,273</u>
6,109	104,781
12,725	56,958
155,799	303,853
97,729	97,729
1,657,235	1,657,235
899,505	899,505
0	3,759,946
3,580,847	3,580,847
(804,749)	(4,231,667)
<u>5,605,200</u>	<u>6,229,187</u>
<u>\$ 9,784,658</u>	<u>\$ 22,570,460</u>

CITY OF LANCASTER, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2007***

Total Governmental Fund Balances		\$ 6,229,187
<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.		38,151,288
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		4,357,782
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.		2,537,668
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	(850,000)	
Special Assessment Bonds Payable	(292,000)	
Ohio Public Works Commission Loans Payable	(82,162)	
General Obligation Bonds Payable	(3,660,000)	
State Infrastructure Bank Loan Payable	(1,155,949)	
Capital Leases Payable	(859,143)	
Compensated Absences Payable	(4,653,003)	
Accrued Interest Payable	(50,984)	
		<u>(11,603,241)</u>
<i>Net Assets of Governmental Activities</i>		<u><u>\$ 39,672,684</u></u>

See accompanying notes to the basic financial statements



CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2007**

	General	Capital Improvement	Ety Road TIF Project
Revenues:			
Taxes	\$ 16,680,031	\$ 253,102	\$ 0
Intergovernmental Revenues	2,891,129	1,812,188	0
Charges for Services	2,608,724	0	0
Licenses, Permits and Fees	25,359	0	0
Investment Earnings	1,201,418	0	88,879
Special Assessments	0	0	0
Fines and Forfeitures	757,321	0	0
All Other Revenue	610,856	339,089	13,484
Total Revenue	24,774,838	2,404,379	102,363
Expenditures:			
Current:			
Security of Persons and Property	16,055,662	0	0
Public Health and Welfare Services	294,822	0	0
Leisure Time Activities	0	0	0
Community Environment	115,262	0	0
Transportation	0	0	0
General Government	6,963,458	0	0
Capital Outlay	0	3,723,562	3,289,611
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	39,823	164,795
Total Expenditures	23,429,204	3,763,385	3,454,406
Excess (Deficiency) of Revenues Over Expenditures	1,345,634	(1,359,006)	(3,352,043)
Other Financing Sources (Uses):			
State Infrastructure Bank Loan	0	1,155,949	0
Transfers In	78,484	1,081,740	0
Transfers Out	(1,797,555)	(202,199)	0
Other Financing Source - Capital Lease	0	0	0
Total Other Financing Sources (Uses)	(1,719,071)	2,035,490	0
Net Change in Fund Balances	(373,437)	676,484	(3,352,043)
Fund Balances at Beginning of Year	4,490,320	42,873	(794,232)
Increase (Decrease) in Inventory Reserve	(65,978)	0	0
Fund Balances End of Year	\$ 4,050,905	\$ 719,357	\$ (4,146,275)

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,834,313	\$ 18,767,446
3,810,426	8,513,743
2,101,685	4,710,409
1,400	26,759
82,435	1,372,732
140,058	140,058
778,220	1,535,541
<u>205,359</u>	<u>1,168,788</u>
<u>8,953,896</u>	<u>36,235,476</u>
654,922	16,710,584
598,486	893,308
2,194,345	2,194,345
568,359	683,621
4,094,796	4,094,796
820,738	7,784,196
180,196	7,193,369
265,086	265,086
<u>256,712</u>	<u>461,330</u>
<u>9,633,640</u>	<u>40,280,635</u>
(679,744)	(4,045,159)
0	1,155,949
1,318,780	2,479,004
(524,000)	(2,523,754)
<u>440,386</u>	<u>440,386</u>
<u>1,235,166</u>	<u>1,551,585</u>
555,422	(2,493,574)
5,019,835	8,758,796
<u>29,943</u>	<u>(36,035)</u>
<u>\$ 5,605,200</u>	<u>\$ 6,229,187</u>

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, 2007**

Net Change in Fund Balances - Total Governmental Funds \$ (2,493,574)

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	5,220,109	
Depreciation Expense	<u>(1,674,423)</u>	3,545,686

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

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		2,965,310
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The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.	<u>(10,716)</u>	2,954,594
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		107,450
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The issuance of long-term debt (e.g. notes, leases) provides current financial resources to governmental funds, but has no effect on net assets.

State Infrastructure Bank Loan	(1,155,949)	
Capital Leases	<u>(440,386)</u>	(1,596,335)

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

Housing and Urban Development Loan Payable	90,000	
Special Assessment Bonds Payable	14,000	
Ohio Public Works Commission Loans Payable	6,086	
General Obligation Bonds Payable	155,000	
Capital Leases Payable	<u>198,293</u>	463,379

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(12,969)
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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	(254,073)	
Change in Inventory	<u>(36,035)</u>	(290,108)

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.

708,135

Change in Net Assets of Governmental Activities		<u><u>\$ 3,386,258</u></u>
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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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 16,059,280	\$ 16,387,683	\$ 16,660,361	\$ 272,678
Intergovernmental Revenue	3,151,874	3,532,395	3,005,038	(527,357)
Charges for Services	3,575,700	3,589,104	3,286,104	(303,000)
Licenses, Permits and Fees	25,000	25,000	25,359	359
Investment Earnings	1,015,000	1,015,000	1,146,090	131,090
Fines and Forfeitures	892,000	892,000	717,723	(174,277)
All Other Revenues	838,308	843,314	654,044	(189,270)
Total Revenues	<u>25,557,162</u>	<u>26,284,496</u>	<u>25,494,719</u>	<u>(789,777)</u>
Expenditures:				
Current:				
Security of Persons and Property	16,796,546	16,951,422	16,055,562	895,860
Public Health and Welfare Services	279,900	294,822	294,822	0
Community Environment	148,387	148,387	110,198	38,189
General Government	8,031,704	8,376,870	7,825,677	551,193
Total Expenditures	<u>25,256,537</u>	<u>25,771,501</u>	<u>24,286,259</u>	<u>1,485,242</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	300,625	512,995	1,208,460	695,465
Other Financing Sources (Uses):				
Transfers In	22,115	(285)	78,484	78,769
Transfers Out	(1,224,339)	(1,797,555)	(1,797,555)	0
Advances In	140,000	350,000	350,000	0
Advances Out	0	(325,000)	(325,000)	0
Total Other Financing Sources (Uses):	<u>(1,062,224)</u>	<u>(1,772,840)</u>	<u>(1,694,071)</u>	<u>78,769</u>
Net Change in Fund Balance	(761,599)	(1,259,845)	(485,611)	774,234
Fund Balance at Beginning of Year	2,821,681	2,821,681	2,821,681	0
Prior Year Encumbrances	301,157	301,157	301,157	0
Fund Balance at End of Year	<u>\$ 2,361,239</u>	<u>\$ 1,862,993</u>	<u>\$ 2,637,227</u>	<u>\$ 774,234</u>

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2007**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Water	Water Pollution
ASSETS			
Current assets:			
Cash and Cash Equivalents	\$ 5,913,392	\$ 2,251,511	\$ 2,188,624
Investments	0	7,305,866	6,663,130
Accounts receivable	3,563,342	851,265	802,447
Interest receivable	0	61,498	63,973
Interfund Loans Receivable	225,000	0	0
Inventory of Supplies	5,853,830	1,081,293	14,971
Prepaid Items	11,054	13,571	9,485
Total current assets	<u>15,566,618</u>	<u>11,565,004</u>	<u>9,742,630</u>
Noncurrent assets:			
Restricted Assets:			
Cash and Cash Equivalents	100,181	1,101,776	422,147
Cash and Cash Equivalents with Fiscal Agent	0	0	0
Investments	0	0	0
Total restricted assets	<u>100,181</u>	<u>1,101,776</u>	<u>422,147</u>
Deferred Charges	0	159,622	97,460
Capital assets:			
Capital Assets Not Being Depreciated	310,742	807,421	10,656,974
Capital Assets Being Depreciated	<u>6,133,528</u>	<u>37,854,749</u>	<u>23,822,918</u>
Total capital assets (net of accumulated depreciation)	<u>6,444,270</u>	<u>38,662,170</u>	<u>34,479,892</u>
Total noncurrent assets	<u>6,544,451</u>	<u>39,923,568</u>	<u>34,999,499</u>
Total assets	<u>22,111,069</u>	<u>51,488,572</u>	<u>44,742,129</u>

CITY OF LANCASTER, OHIO

<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 2,436,583	\$ 1,190,632	\$ 13,980,742	\$ 596,704
0	0	13,968,996	0
350,385	143,974	5,711,413	450
9,785	0	135,256	0
0	0	225,000	0
30,298	0	6,980,392	53,496
2,474	0	36,584	3,380,394
<u>2,829,525</u>	<u>1,334,606</u>	<u>41,038,383</u>	<u>4,031,044</u>
0	0	1,624,104	0
0	153,000	153,000	0
481,081	0	481,081	0
<u>481,081</u>	<u>153,000</u>	<u>2,258,185</u>	<u>0</u>
0	0	257,082	0
105,120	1,778,462	13,658,719	0
<u>1,461,213</u>	<u>8,342,475</u>	<u>77,614,883</u>	<u>235,327</u>
<u>1,566,333</u>	<u>10,120,937</u>	<u>91,273,602</u>	<u>235,327</u>
<u>2,047,414</u>	<u>10,273,937</u>	<u>93,788,869</u>	<u>235,327</u>
<u>4,876,939</u>	<u>11,608,543</u>	<u>134,827,252</u>	<u>4,266,371</u>

(Continued)

CITY OF LANCASTER, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2007**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Water	Water Pollution
LIABILITIES			
Current liabilities:			
Accounts Payable	2,066,993	142,715	268,217
Accrued Wages and Benefits	59,040	114,667	59,374
Intergovernmental Payable	0	0	0
Claims Payable	0	0	0
Retainage Payable	0	435,398	0
Due to Others	100,181	18,530	18,530
Due to Other Funds	0	0	0
Accrued Interest Payable	0	466,690	682,127
General Obligation Notes Payable	0	0	8,325,000
Capital Leases Payable - Current	0	8,068	0
Revenue Bond Payable - Current	0	215,000	135,000
OWDA Loans Payable - Current	0	1,090,171	1,534,748
Landfill Postclosure Care Liability - Current	0	0	0
Compensated Absences Payable - Current	72,235	166,605	83,440
Total Current Liabilities	<u>2,298,449</u>	<u>2,657,844</u>	<u>11,106,436</u>
Noncurrent Liabilities:			
Capital Leases Payable	0	5,138	0
Revenue Bonds Payable	0	7,482,410	4,644,093
OWDA Loans Payable	0	21,168,198	12,822,665
Landfill Postclosure Care Liability	0	0	0
Compensated Absences Payable	253,894	446,101	301,130
Total noncurrent liabilities	<u>253,894</u>	<u>29,101,847</u>	<u>17,767,888</u>
Total Liabilities	<u>2,552,343</u>	<u>31,759,691</u>	<u>28,874,324</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	6,444,270	10,294,678	7,018,386
Restricted for Debt Service	0	647,848	403,617
Unrestricted	13,114,456	8,786,355	8,445,802
Total Net Assets	<u>\$ 19,558,726</u>	<u>\$ 19,728,881</u>	<u>\$ 15,867,805</u>

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>
63,719	101,656	2,643,300	39,101
53,020	8,255	294,356	69,776
10,581	0	10,581	0
0	0	0	11,900
0	0	435,398	0
0	0	137,241	0
56,855	0	56,855	0
50,863	48,333	1,248,013	0
0	1,546,000	9,871,000	0
0	71,434	79,502	2,313
0	0	350,000	0
189,768	0	2,814,687	0
78,600	0	78,600	0
62,148	9,892	394,320	87,675
<u>565,554</u>	<u>1,785,570</u>	<u>18,413,853</u>	<u>210,765</u>
0	336,647	341,785	1,921
0	0	12,126,503	0
2,366,138	0	36,357,001	0
1,731,112	0	1,731,112	0
156,465	0	1,157,590	378,169
<u>4,253,715</u>	<u>336,647</u>	<u>51,713,991</u>	<u>380,090</u>
<u>4,819,269</u>	<u>2,122,217</u>	<u>70,127,844</u>	<u>590,855</u>
1,566,333	8,651,302	33,974,969	231,093
0	0	1,051,465	0
<u>(1,508,663)</u>	<u>835,024</u>	<u>29,672,974</u>	<u>3,444,423</u>
<u>\$ 57,670</u>	<u>\$ 9,486,326</u>	<u>\$ 64,699,408</u>	<u>\$ 3,675,516</u>
		1,137,848	
		<u>\$ 65,837,256</u>	

CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2007**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Water	Water Pollution
Operating Revenues:			
Charges for Services	\$ 21,764,820	\$ 8,900,753	\$ 7,195,567
Other Operating Revenues	1,418,798	3,771	1,700
Total Operating Revenues	23,183,618	8,904,524	7,197,267
Operating Expenses:			
Personal Services	1,103,114	2,955,060	1,485,336
Contractual Services	1,211,042	1,048,500	1,890,923
Materials and Supplies	21,162,492	1,433,172	615,665
Depreciation	473,127	2,001,662	2,212,144
Total Operating Expenses	23,949,775	7,438,394	6,204,068
Operating Income (Loss)	(766,157)	1,466,130	993,199
Non-Operating Revenue (Expenses):			
Interest Income	0	415,659	596,784
Interest and Fiscal Charges	0	(1,203,277)	(1,267,337)
Loss on Disposal of Capital Assets	0	(1,312)	(1,355)
Intergovernmental Grants	0	0	145,334
Total Non-Operating Revenues (Expenses)	0	(788,930)	(526,574)
Income (Loss) Before Contributions and Transfers	(766,157)	677,200	466,625
Capital Contributions	0	405,107	381,660
Transfers In	0	0	0
Transfers Out	0	(24,000)	(22,000)
Change in Net Assets	(766,157)	1,058,307	826,285
Net Assets Beginning of Year	20,324,883	18,670,574	15,041,520
Net Assets End of Year	\$ 19,558,726	\$ 19,728,881	\$ 15,867,805

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

<u>Sanitation</u>	<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 3,515,429	\$ 1,770,647	\$ 43,147,216	\$ 8,106,137
65,957	4,710	1,494,936	10,652
<u>3,581,386</u>	<u>1,775,357</u>	<u>44,642,152</u>	<u>8,116,789</u>
1,434,562	203,982	7,182,054	6,563,295
1,289,969	1,323,908	6,764,342	313,111
201,540	103,389	23,516,258	195,353
187,028	122,749	4,996,710	48,336
<u>3,113,099</u>	<u>1,754,028</u>	<u>42,459,364</u>	<u>7,120,095</u>
468,287	21,329	2,182,788	996,694
23,755	0	1,036,198	0
(103,711)	(64,408)	(2,638,733)	0
0	0	(2,667)	0
0	10,117	155,451	0
<u>(79,956)</u>	<u>(54,291)</u>	<u>(1,449,751)</u>	<u>0</u>
388,331	(32,962)	733,037	996,694
0	1,003,474	1,790,241	0
0	0	0	112,750
(22,000)	0	(68,000)	0
366,331	970,512	2,455,278	1,109,444
(308,661)	8,515,814	62,244,130	2,566,072
<u>\$ 57,670</u>	<u>\$ 9,486,326</u>	<u>\$ 64,699,408</u>	<u>\$ 3,675,516</u>
		\$ 2,455,278	
		401,309	
		<u>\$ 2,856,587</u>	

CITY OF LANCASTER, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Water	Water Pollution
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$23,541,924	\$8,862,189	\$7,059,619
Cash Payments for Goods and Services	(21,232,416)	(2,707,857)	(2,493,761)
Cash Payments to and on behalf of Employees	(1,163,740)	(2,915,145)	(1,462,687)
Customer Deposits Received	119,192	22,042	22,042
Customer Deposits Returned	(118,380)	(21,892)	(21,892)
Net Cash Provided by Operating Activities	1,146,580	3,239,337	3,103,321
<u>Cash Flows from Noncapital Financing Activities:</u>			
Interfund Loan	(225,000)	0	0
Receipt of Interfund Loan Repayment	225,000	0	0
Transfers In from Other Funds	0	0	0
Transfers Out to Other Funds	0	(24,000)	(22,000)
Net Cash Provided (Used) for Noncapital Financing Activities	0	(24,000)	(22,000)
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Intergovernmental Grants Received	0	0	145,334
Proceeds from General Obligation Notes		0	8,325,000
Proceeds from Capital Lease Financing	0	0	0
Acquisition and Construction of Assets	(974,131)	(542,967)	(6,730,380)
Principal Paid on General Obligation Notes	0	0	(8,425,000)
Capital Lease Payments	0	(7,217)	0
Principal Paid on General Obligation Bonds	0	(210,000)	(130,000)
Principal Paid on Ohio Water Development Authority Loans	0	(1,007,671)	(1,461,644)
Interest Paid on All Debt	0	(1,230,310)	(1,233,220)
Net Cash Used for Capital and Related Financing Activities	(974,131)	(2,998,165)	(9,509,910)
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	0	0	5,587,017
Purchase of Investments	0	(791,130)	0
Receipt of Investment Earnings	0	339,489	546,725
Net Cash Provided (Used) for Investing Activities	0	(451,641)	6,133,742
Net Increase (Decrease) in Cash and Cash Equivalents	172,449	(234,469)	(294,847)
Cash and Cash Equivalents at Beginning of Year	5,841,124	3,587,756	2,905,618
Cash and Cash Equivalents at End of Year	\$6,013,573	\$3,353,287	\$2,610,771
<u>Reconciliation of Cash and</u>			
<u>Cash Equivalents per the Balance Sheet:</u>			
Cash and Cash Equivalents	\$5,913,392	\$2,251,511	\$2,188,624
Restricted Cash and Cash Equivalents	100,181	1,101,776	422,147
Restricted Cash with Fiscal Agent	0	0	0
Cash and Cash Equivalents at End of Year	\$6,013,573	\$3,353,287	\$2,610,771

CITY OF LANCASTER, OHIO

Sanitation	Storm Water	Totals	Internal Service Funds
\$3,564,541	\$1,771,019	\$44,799,292	\$8,117,339
(1,518,712)	(1,416,350)	(29,369,096)	(494,285)
(1,391,682)	(203,780)	(7,137,034)	(7,462,103)
0	0	163,276	0
0	0	(162,164)	0
<u>654,147</u>	<u>150,889</u>	<u>8,294,274</u>	<u>160,951</u>
0	0	(225,000)	0
0	0	225,000	0
0	0	0	112,750
(22,000)	0	(68,000)	0
<u>(22,000)</u>	<u>0</u>	<u>(68,000)</u>	<u>112,750</u>
0	69,660	214,994	0
0	1,546,000	9,871,000	0
0	160,000	160,000	0
(259,456)	(1,865,097)	(10,372,031)	(111,168)
0	(1,700,000)	(10,125,000)	0
0	(54,146)	(61,363)	(2,057)
0	0	(340,000)	0
(182,286)	0	(2,651,601)	0
(107,338)	(67,867)	(2,638,735)	0
<u>(549,080)</u>	<u>(1,911,450)</u>	<u>(15,942,736)</u>	<u>(113,225)</u>
0	0	5,587,017	0
(21,363)	0	(812,493)	0
21,363	0	907,577	0
<u>0</u>	<u>0</u>	<u>5,682,101</u>	<u>0</u>
83,067	(1,760,561)	(2,034,361)	160,476
2,353,516	3,104,193	17,792,207	436,228
<u>\$2,436,583</u>	<u>\$1,343,632</u>	<u>\$15,757,846</u>	<u>\$596,704</u>
\$2,436,583	\$1,190,632	\$13,980,742	\$596,704
0	0	1,624,104	0
0	153,000	153,000	0
<u>\$2,436,583</u>	<u>\$1,343,632</u>	<u>\$15,757,846</u>	<u>\$596,704</u>

(Continued)

CITY OF LANCASTER, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2007**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Water	Water Pollution
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income (Loss)	(\$766,157)	\$1,466,130	\$993,199
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	473,127	2,001,662	2,212,144
Changes in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	358,306	(42,335)	(137,648)
(Increase) Decrease in Inventory	1,477,575	(158,823)	1,607
(Increase) Decrease in Prepaid Items	(441)	1,826	551
Increase (Decrease) in Accounts Payable	(336,032)	(68,177)	21,044
Increase (Decrease) in Accrued Wages and Benefits	(6,307)	(2,631)	(1,380)
Increase in Due to Other Funds	0	0	0
Increase (Decrease) in Intergovernmental Payable	0	0	(10,350)
Increase in Customer Deposits	812	150	150
Decrease in Landfill Postclosure Care Liability	0	0	0
Increase (Decrease) in Compensated Absences	(54,303)	41,535	24,004
Decrease in Claims Payable	0	0	0
Total Adjustments	<u>1,912,737</u>	<u>1,773,207</u>	<u>2,110,122</u>
Net Cash Provided by Operating Activities	<u>\$1,146,580</u>	<u>\$3,239,337</u>	<u>\$3,103,321</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2007 the Gas, Water, Water Pollution, and Storm Water Funds had outstanding liabilities of \$11,834, \$57,482, \$200,353, and \$91,914, respectively for certain capital assets.

During 2007 the Water, Water Pollution and Storm Water Funds received capital contributions from developers of \$405,107, \$381,660 and \$1,003,474 respectively.

During 2007, the Storm Water Fund entered into capital lease obligations of \$302,227

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Sanitation	Storm Water	Totals	Internal Service Funds
\$468,287	\$21,329	\$2,182,788	\$996,694
187,028	122,749	4,996,710	48,336
(16,845)	(4,338)	157,140	550
(755)	2,036	1,321,640	(1,014)
264	0	2,200	(679,675)
(631)	8,911	(374,885)	15,095
(3,276)	5	(13,589)	(1,472)
29,424	0	29,424	0
1,110	0	(9,240)	0
0	0	1,112	0
(55,650)	0	(55,650)	0
45,191	197	56,624	16,937
0	0	0	(234,500)
185,860	129,560	6,111,486	(835,743)
\$654,147	\$150,889	\$8,294,274	\$160,951

CITY OF LANCASTER, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2007***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 177,486
Due from Other Funds	<u>3,001</u>
Total Assets	<u>180,487</u>
Liabilities:	
Due to Other Funds	3,001
Intergovernmental Payable	3,001
Due to Others	<u>174,485</u>
Total Liabilities	<u>\$ 180,487</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

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, 2007 and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

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

B. Basis of Presentation - Fund Accounting

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds

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

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

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

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

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, 2007***

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, 2007***

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, 2007***

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, 2007 but which are not intended to finance 2007 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, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2007.

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 2007, several supplemental appropriations were legally enacted by Council. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear on the " Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual" are presented on a budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

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

	Net Change in Fund Balance
	General Fund
GAAP Basis (as reported)	(\$373,437)
Increase (Decrease):	
Accrued Revenues at December 31, 2007 received during 2008	(2,416,572)
Accrued Revenues at December 31, 2006 received during 2007	2,495,182
Accrued Expenditures at December 31, 2007 paid during 2008	1,395,046
Accrued Expenditures at December 31, 2006 paid during 2007	(1,396,248)
2006 Prepays for 2007	49,034
2007 Prepays for 2008	(44,233)
Adjustment to Fair Value	(2,464)
Outstanding Encumbrances	(191,919)
Budget Basis	<u>(\$485,611)</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

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

G. Investments

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

The City has invested funds in STAR Ohio during 2007. 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, 2007. See Note 3, "Cash, Cash Equivalents and Investments."

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2007, 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, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

Obligation	Fund
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 Gas 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, 2007***

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, 2007***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Interfund Transactions

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

P. Reservations of Fund Balance

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

Q. Restricted Assets

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

R. Operating Revenues and Expenses

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

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities - The fund deficits at December 31, 2007 of \$1,060,333 and \$4,146,275 in the Fire Capital Improvement Fund and the Ety Road TIF Project Fund (capital projects funds) are the result of recording notes payable amounts in the individual fund balance sheets. The General Fund provides transfers, upon City Council's approval when cash is required not when accruals occur.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

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

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

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

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

A. Deposits

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

At year end the carrying amount of the City's deposits was \$10,284,420 and the bank balance was \$10,799,552. Federal depository insurance covered \$400,000 of the bank balance and \$10,399,552 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>\$10,399,552</u>
Total Balance	<u><u>\$10,399,552</u></u>

Investment earnings of \$1,015,359 earned by other funds was credited to the General Fund as required by state statute.

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

B. Investments

The City's investments at December 31, 2007 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)			
			less than 1	1-3	3-5	more than 5
Repurchase Agreements	\$20,349,467	N/A	\$20,349,467	\$0	\$0	\$0
STAR Ohio	540,161	AAAm ¹	540,161	0	0	0
City of Lancaster Notes Payable	2,237,600	AAA ¹	2,237,600	0	0	0
City of Lancaster Bond Payable	292,000	AAA ¹	15,000	32,000	35,000	210,000
FHLB ^b	4,820,773	AAA ^{1,2}	800,143	3,010,630	1,010,000	0
FHLMC ^a	1,250,045	AAA ^{1,2}	0	1,250,045	0	0
FHLMC ^b	1,997,880	AAA ^{1,2}	996,970	1,000,910	0	0
Total Investments	<u>\$31,487,926</u>		<u>\$24,939,341</u>	<u>\$5,293,585</u>	<u>\$1,045,000</u>	<u>\$210,000</u>

¹ Standard & Poor's

² Moody's Investor Service

^a Call Options – Callable anytime at par value.

^b Call Options – Callable quarterly at par value.

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

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 15.3% are FHLB, and 10.3% 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.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 3 - CASH AND CASH EQUIVALENTS (Continued)

C. Reconciliation of Cash, Cash Equivalents and Investments (Continued)

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$22,618,110	\$19,154,236
Certificates of Deposit (with maturities of more than 3 months)	2,555,938	(2,555,938)
Investments:		
STAR Ohio	(540,161)	540,161
Repurchase Agreement (with maturities of less than 3 months)	<u>(14,349,467)</u>	<u>14,349,467</u>
Per GASB Statement No. 3	<u>\$10,284,420</u>	<u>\$31,487,926</u>

* Includes Cash with Fiscal Agent

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2007 were levied after October 1, 2006 on assessed values as of January 1, 2006, 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 2007 (other than public utility property) represent the collection of 2007 taxes. Tangible personal property taxes received in 2007 were levied after October 1, 2006, on the true value as of January 1, 2006. 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 12.5% for 2007. This percentage will be reduced to 6.25% in 2008 and 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 4 - TAXES (Continued)

A. Property Taxes (Continued)

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 an 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.

The full tax rate for the City's operations for the year ended December 31, 2007 was \$3.40 per \$1,000 of assessed value. The assessed value upon which the 2007 property tax receipts were based was \$697,186,961. This amount constitutes \$654,458,870 in real property assessed value, \$26,366,541 in tangible personal property assessed value and \$16,361,550 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.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 5 - RECEIVABLES

Receivables at December 31, 2007 consisted of taxes, accounts, net of allowance for doubtful accounts, special assessments, interest, loans and intergovernmental receivables arising from shared revenues.

NOTE 6 – INTERFUND ACCOUNTS

Interfund balances at December 31, 2007 consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$56,855	\$0
Enterprise Fund:		
Sanitation	0	56,855
Agency Funds:		
Municipal Court	0	3,001
Law Library	<u>3,001</u>	<u>0</u>
Total Agency Funds	<u>3,001</u>	<u>3,001</u>
Totals	<u>\$59,856</u>	<u>\$59,856</u>
	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$35,000	\$0
Capital Improvement Fund	0	39,295
Nonmajor Governmental Funds	0	220,705
Enterprise Fund:		
Gas	<u>225,000</u>	<u>0</u>
Totals	<u>\$260,000</u>	<u>\$260,000</u>

On the Statement of Net Assets, the Business-Type Activities reported an internal balance at December 31, 2007 of \$1,256,281 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2007:

Fund	Transfer In	Transfer Out
General Fund	\$78,484	\$1,797,555
Capital Improvement Fund	1,081,740	202,199
Nonmajor Governmental Funds	1,318,780	524,000
Enterprise Funds:		
Water Fund	0	24,000
Water Pollution Fund	0	22,000
Sanitation Fund	0	22,000
Internal Service Funds	112,750	0
Total Transfers	\$2,591,754	\$2,591,754

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.

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2007:
Historical Cost:

Class	December 31, 2006	Additions	Deletions	December 31, 2007
<i>Capital assets not being depreciated:</i>				
Land	\$14,774,539	\$1,040,569	\$0	\$15,815,108
Construction in Progress	904,660	3,289,611	0	4,194,271
Subtotal	15,679,199	4,330,180	0	20,009,379
<i>Capital assets being depreciated:</i>				
Buildings	6,455,749	0	0	6,455,749
Improvements Other than Buildings	5,634,870	206,247	(7,112)	5,834,005
Vehicles	5,779,456	159,303	(150,031)	5,788,728
Machinery and Equipment	4,656,625	451,080	(452,771)	4,654,934
Infrastructure	14,426,845	3,124,333	0	17,551,178
Subtotal	36,953,545	3,940,963	(609,914)	40,284,594
Total Cost	\$52,632,744	\$8,271,143	(\$609,914)	\$60,293,973
<i>Accumulated Depreciation:</i>				
Class	December 31, 2006	Additions	Deletions	December 31, 2007
Buildings	(\$2,791,605)	(\$145,438)	\$0	(\$2,937,043)
Improvements Other than Buildings	(3,340,762)	(185,356)	6,236	(3,519,882)
Vehicles	(4,405,055)	(338,263)	151,540	(4,591,778)
Machinery and Equipment	(3,359,963)	(336,432)	441,422	(3,254,973)
Infrastructure	(6,975,123)	(694,116)	0	(7,669,239)
Total Depreciation	(\$20,872,508)	(\$1,699,605) *	\$599,198	(\$21,972,915)
<i>Net Value:</i>	\$31,760,236			\$38,321,058

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	(\$348,270)
Leisure Time Activities	(165,404)
Community Environment	(5,462)
Public Health & Welfare	(17,433)
Transportation	(914,238)
General Government	(223,616)
Internal Service Fund Capital Assets	(25,182)
Total Depreciation Expense	(\$1,699,605)

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 8 – CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2007:

Historical Cost:

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Capital assets not being depreciated:				
Land	\$2,562,242	\$409,598	\$0	\$2,971,840
Construction in Progress	3,663,611	7,723,457	(700,189)	10,686,879
Subtotal	6,225,853	8,133,055	(700,189)	13,658,719
Capital assets being depreciated:				
Buildings	34,601,783	0	0	34,601,783
Improvements	31,912,785	87,221	0	32,000,006
Vehicles	3,411,603	372,357	(262,625)	3,521,335
Machinery and Equipment	10,047,434	811,707	(27,468)	10,831,673
Infrastructure	55,437,343	3,651,892	0	59,089,235
Subtotal	135,410,948	4,923,177	(290,093)	140,044,032
Total Cost	\$141,636,801	\$13,056,232	(\$990,282)	\$153,702,751

Accumulated Depreciation:

Class	December 31, 2006	Additions	Deletions	December 31, 2007
Buildings	(\$8,061,016)	(\$809,863)	\$0	(\$8,870,879)
Improvements	(18,634,482)	(1,508,635)	0	(20,143,117)
Vehicles	(2,716,210)	(260,842)	262,625	(2,714,427)
Machinery and Equipment	(6,834,314)	(714,169)	24,801	(7,523,682)
Infrastructure	(21,385,132)	(1,726,355)	0	(23,111,487)
Total Depreciation	(\$57,631,154)	(\$5,019,864)	\$287,426	(\$62,363,592)
Net Value:	\$84,005,647	\$8,036,368	(\$702,856)	\$91,339,159

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, \$169,770 and \$65,557 of internal service funds capital assets, net of depreciation are included in the respective above amounts. Also, \$25,182 and \$19,582 of depreciation expense for internal service fund are included in the respective above amounts.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

A. Ohio Public Employees Retirement System (the "Ohio PERS")

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

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

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

The Ohio Revised Code provides statutory authority for employee and employer contributions. For 2007, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 9.5%. The 2007 employer contribution rate for local government employer units was 13.85%, of covered payroll. From January 1 through June 30, 2007, 8.85% was allocated to fund the pension and 5.0% to fund health care and from July 1, 2007 through December 31, 2007, 7.85% was allocated to fund the pension and 6.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2007, 2006, and 2005 were \$1,772,350, \$1,716,987 and \$1,614,229, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit under the TP and CO plans and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2007 employer contribution rate (identified above) that was used to fund health care was 5.0% from January 1 through June 30, 2007 and 6.0% from July 1 through December 31, 2007, of covered payroll which amounted to \$703,509.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2006. The individual entry age actuarial cost method of valuation is used in determining the present value of OPEB. The difference between assumed and actual experience (actuarial gains and losses) becomes part of unfunded actuarial accrued liability. All investments are carried at market value. For actuarial valuation purposes, a smoothed market approach is used. Under this approach assets are adjusted annually to reflect 25% of unrealized market appreciation or depreciation on investment assets annually, not to exceed a 12% corridor. The investment assumption rate for 2006 was 6.5%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees. Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually plus an additional factor ranging from .50% to 5% for the next 8 years. In subsequent years (9 and beyond) health care costs were assumed to increase 4% (the projected wage inflation rate).

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants for the TP and CO Plans was 374,979. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2006 is \$12.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$30.7 billion and \$18.7 billion, respectively.

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Plan members are required to contribute 10.0% of their annual covered salary, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. The City's contributions to the OP&F Fund for the years ending December 31, 2007, 2006, and 2005 were \$728,362, \$699,745 and \$652,137 for police and \$1,254,706, \$1,156,745 and \$1,008,125 for firefighters, respectively, which were equal to the required contributions for each year.

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

The portion of the 2007 covered payroll that was used to fund postemployment health care benefits was \$252,125 representing 6.75% of covered payroll for police and \$352,886 representing 6.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2006, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 14,120 for police and 10,563 for firefighters. The OP&F Fund does not provide separate data on the funded status and funding progress of postemployment health care benefits. The Fund's total health care expenses for the year ended December 31, 2006 were \$120,373,722, which was net of member contributions of \$58,532,848.

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 10 - NOTES PAYABLE

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

	Maturity Date	Balance January 1, 2007	Additions	(Reductions)	Balance December 31, 2007
Capital Projects Notes Payable:					
3.00% Rising Park Improvement/ Land Acquisition	11/15/2007	\$400,000	\$0	(\$400,000)	\$0
3.00% Rising Park Improvement/ Land Acquisition	11/13/2008	0	335,000	0	335,000
3.00% Land Acquisition	12/20/2007	821,100	0	(821,100)	0
3.00% Land Acquisition	12/18/2008	0	821,100	0	821,100
3.00% Medic Unit	3/17/2007	131,500	0	(131,500)	0
3.00% Medic Unit	3/13/2008	0	91,500	0	91,500
3.00% Aerial Platform	11/15/2007	859,000	0	(859,000)	0
3.00% Aerial Platform	11/13/2008	0	800,000	0	800,000
3.00% Fire House Roof	4/17/2008	0	190,000	0	190,000
4.25% Ety Road TIF	11/17/2007	3,600,000	0	(3,600,000)	0
4.00% Ety Road TIF	10/16/2008	0	3,600,000	0	3,600,000
4.25% Street Improvement 2007A	12/31/2007	0	1,240,590	(1,240,590)	0
4.00% Street Improvement 2007B	12/31/2008	0	1,270,175	0	1,270,175
Total Capital Projects Notes Payable		<u>\$5,811,600</u>	<u>\$8,348,365</u>	<u>(\$7,052,190)</u>	<u>\$7,107,775</u>
Enterprise Funds Notes Payable:					
3.95% Upper Hocking WWTP	11/6/2007	\$725,000	\$0	(\$725,000)	\$0
4.05% Upper Hocking WWTP	11/5/2008	0	625,000	0	625,000
4.00% Lake Allen/Maple Wastewater	3/27/2007	7,700,000	0	(7,700,000)	0
4.09% Lake Allen/Maple Wastewater	3/26/2008	0	7,700,000	0	7,700,000
4.00% Lake Allen/Maple Storm Water	3/27/2007	1,700,000	0	(1,700,000)	0
4.09% Lake Allen/Maple Storm Water	3/26/2008	0	1,546,000	0	1,546,000
Total Enterprise Notes Payable		<u>\$10,125,000</u>	<u>\$9,871,000</u>	<u>(\$10,125,000)</u>	<u>\$9,871,000</u>

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

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

Long-term debt and other long-term obligations of the City at December 31, 2007 were as follows:

	December 31, 2006	Additions	(Reductions)	Balance December 31, 2007	Due Within One Year
Business-Type Activities:					
Ohio Water Development Authority Loans (OWDA):					
2003 2.00% Water Treatment Plant/Clearwells/Wellfield	\$178,893	\$0	(\$5,306)	\$173,587	\$5,413
2001 4.14% Water Transmission Line/Waste Force Main	4,665,334	0	(179,268)	4,486,066	221,012
2001 3.90% Water Treatment Plant/Clearwells/Wellfield	18,421,813	0	(823,097)	17,598,716	863,746
1989 8.48% Water Pollution Control Plant	5,158,428	0	(520,887)	4,637,541	565,058
1990 7.74% Water Pollution Control Plant (Supplement)	106,101	0	(10,979)	95,122	11,830
1993 2.94% Water Pollution Control Plant (Supplement)	7,394,075	0	(685,355)	6,708,720	705,652
1996 3.16% Water Pollution Control Plant (Supplement)	3,160,453	0	(244,423)	2,916,030	252,208
1997 3.98% Landfill Postclosure Care	2,738,192	0	(182,286)	2,555,906	189,768
Total Ohio Water Development Authority Loans	<u>41,823,289</u>	<u>0</u>	<u>(2,651,601)</u>	<u>39,171,688</u>	<u>2,814,687</u>
Revenue Bonds Payable:					
2004 2-4.75% Water System Improvement Revenue Bond	7,795,000	0	(210,000)	7,585,000	215,000
Premium	117,520	0	(5,110)	112,410	0
2004 2-4.75% Wastewater System Improvement Revenue Bond	4,840,000	0	(130,000)	4,710,000	135,000
Premium	72,234	0	(3,141)	69,093	0
Total Revenue Bonds Payable	<u>12,824,754</u>	<u>0</u>	<u>(348,251)</u>	<u>12,476,503</u>	<u>350,000</u>
Landfill Postclosure Care Liability	1,865,362	0	(55,650)	1,809,712	78,600
Capital Leases	26,714	462,227	(63,420)	425,521	81,815
Compensated Absences	1,857,758	526,581	(455,976)	1,928,363	461,696
Total Business-Type Long-Term Debt	<u>\$58,397,877</u>	<u>\$988,808</u>	<u>(\$3,574,898)</u>	<u>\$55,811,787</u>	<u>\$3,786,798</u>
Governmental Activities Long-Term Debt:					
2005 3-4.375% General Obligation Bond Payable	\$3,815,000	\$0	(\$155,000)	\$3,660,000	\$160,000
2001 5.00% Special Assessment Bond Payable with Governmental Commitment	306,000	0	(14,000)	292,000	15,000
1992 3.00% Housing and Urban Development Loan Payable	940,000	0	(90,000)	850,000	90,000
2000 0.00% Ohio Public Works Commission Loan Payable	88,248	0	(6,086)	82,162	6,086
2007 3.00% State Infrastructure Bank Loan	0	1,155,949	0	1,155,949	129,890
Compensated Absences	4,485,365	1,469,567	(1,212,538)	4,742,394	1,272,987
Capital Leases	617,050	440,386	(198,293)	859,143	283,601
Total Governmental Activities	<u>\$10,251,663</u>	<u>\$3,065,902</u>	<u>(\$1,675,917)</u>	<u>\$11,641,648</u>	<u>\$1,957,564</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

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

Internal service funds serve both governmental and business-type funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental and business-type funds. At year-end, \$89,391 and \$376,453 of internal service funds compensated absences are included in the respective above amounts. Also, \$4,234 of an internal service fund capital lease is recorded in the business-type activities amount.

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

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

A. Ohio Water Development Authority Loans

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

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

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

In 1997, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive approximately \$3,968,355. The amount is subject to change and has not been finalized. The interest rate on this loan is 3.98% per annum. This loan is payable from sanitation charges for landfill closure and postclosure care costs and is received by the City in increments as the project is completed. As of December 31, 2007, 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 \$2,555,906 at December 31, 2007.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

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

A. Ohio Water Development Authority Loans (Continued)

In 2001, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to a loan of \$5,591,825. The amount had been subject to change and was finalized in 2007 for the amount of \$5,464,939. Principal and interest payments were adjusted accordingly. The interest rate on the loan is 4.14% per annum. 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, 2007, 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 \$17,598,716 at December 31, 2007.

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

B. Future Long-Term Financing Requirements

A summary of the City's future long-term debt funding requirements including principal and interest payments as of December 31, 2007 follows:

Business-Type Activities:

Years	OWDA Loans		Revenue Bonds Payable	
	Principal	Interest	Principal	Interest
2008	\$2,814,686	\$1,647,652	\$350,000	\$562,472
2009	2,943,446	1,518,893	365,000	552,848
2010	3,079,250	1,383,088	375,000	541,898
2011	3,222,556	1,239,784	380,000	529,710
2012	3,373,854	1,088,484	400,000	516,410
2013-2017	14,279,941	3,263,846	2,250,000	2,329,433
2018-2022	8,995,185	1,063,883	2,845,000	1,726,875
2023-2027	420,825	13,780	3,620,000	945,750
2028-2032	41,945	2,341	1,710,000	122,788
Totals	\$39,171,688	\$11,221,751	\$12,295,000	\$7,828,184

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

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

B. Future Long-Term Financing Requirements (Continued)

Governmental Activities:

Years	General Obligation Bond Payable		Special Assessment Bond Payable	
	Principal	Interest	Principal	Interest
2008	\$160,000	\$144,500	\$15,000	\$14,600
2009	165,000	139,300	15,500	13,850
2010	170,000	133,938	16,500	13,075
2011	175,000	127,987	17,000	12,250
2012	180,000	122,038	18,000	11,400
2013-2017	1,015,000	500,405	105,000	42,500
2018-2022	1,225,000	281,980	105,000	13,425
2023-2025	570,000	37,625	0	0
Totals	<u>\$3,660,000</u>	<u>\$1,487,773</u>	<u>\$292,000</u>	<u>\$121,100</u>

Years	HUD Loan		OPWC Loan		SIB Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$90,000	\$53,147	\$6,086	\$0	\$129,890	\$33,712
2009	90,000	47,898	6,086	0	133,816	29,786
2010	90,000	42,534	6,086	0	137,861	25,741
2011	90,000	37,080	6,086	0	142,027	21,574
2012	90,000	31,536	6,086	0	146,320	17,281
2013-2017	400,000	71,802	30,430	0	466,035	24,770
2018-2022	0	0	21,302	0	0	0
2023-2025	0	0	0	0	0	0
Totals	<u>\$850,000</u>	<u>\$283,997</u>	<u>\$82,162</u>	<u>\$0</u>	<u>\$1,155,949</u>	<u>\$152,864</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 12 - CAPITALIZED LEASES

Under capital leases the City leases eleven copiers, four street sweepers, two salt spreaders, three pickup trucks, two dump trucks, a mower, a leaf loader, a breaking hammer, a utility vehicle, and various building improvements. The cost of the improvements and equipment obtained under capital leases is included in the appropriate proprietary fund or Governmental Activities Capital Assets and the related liability is included in the appropriate proprietary fund or in the Governmental Activities Long-Term Liabilities. The original cost of the assets acquired under capital lease was \$2,387,344.

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, 2007:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2008	\$325,972	\$102,335
2009	319,677	97,855
2010	107,600	90,510
2011	101,348	90,509
2012	83,031	104,964
2013	16,048	0
Minimum Lease Payments	953,676	486,173
Less amount representing interest at the City's incremental borrowing rate of interest	(94,533)	(60,652)
Present value of minimum lease payments	<u>\$859,143</u>	<u>\$425,521</u>

NOTE 13 - INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2007, the City contracted with Selective Insurance for vehicles, property, EMT and general liability insurance while police and professional liability are protected by Columbia Company.

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

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

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 13 - INSURANCE AND RISK MANAGEMENT (Continued)

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

A by-law change of the Consortium effective July 1, 2002 made the members not self insured for medical and prescription drug benefits, but are self insured for dental benefits. This change made the risk transfer to the Consortium for medical and prescription drug benefits. The risk for dental benefits remains with the members. Therefore no claims payable is reported for medical and prescription drug benefits as of December 31, 2007.

The claims liability of \$11,900 reported in the fund at December 31, 2007 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2006	\$252,714	\$4,843,863	(\$4,850,177)	\$246,400
2007	246,400	4,810,388	(5,044,888)	11,900

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.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2007**

NOTE 14 - CONSTRUCTION COMMITMENTS

As of December 31, 2007, the City had the following commitments with respect to capital improvements:

Capital Projects	Remaining Construction Commitment
Lake Allen Maple Sewer Separation	\$514,627
Upper Hocking Wastewater Treatment Plant	1,728,533
Ety Road TIF Project	1,017,276
State Route 188 Water Tank	39,491
West 6 th Avenue Storm Sewer	62,830
Rockmill-Phase 2	44,018
Rockmill-Phase 4	27,244

NOTE 15 - SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

The City has accrued a liability for landfill closure and postclosure care costs in the Sanitation Fund of \$1,809,712. 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 16 - JOINTLY GOVERNED ORGANIZATIONS

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

B. Community Action Board (the "Board")

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

F. Community Corrections Board (the “Board”)

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

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2007***

NOTE 16 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

H. FairCATS

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

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

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

NOTE 17 - CONTINGENCIES

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

For the period January 1, 2007 to December 31, 2007, 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.

NOTE 18 - SUBSEQUENT EVENTS

On February 4, 2008, March 13, 2008, March 26, 2008, April 16, 2008 and April 29, 2008, the City authorized and issued \$205,000, \$91,500, \$9,020,000, \$90,000 and \$400,000 of general obligation notes for land acquisition, a medic unit, the Lake Allen sewer separation project, new roofs for three firehouses, and additional land acquisition, respectively.

*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.

Law Director Victim Assistance Fund

To account for grant funds received to provide assistance to victims of domestic violence. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Lancaster Community Development Fund

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

Law Enforcement Block Grant Fund

To account for grant monies to be used specifically for the improvement of public safety and the reduction of crime. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Police and Fire Pension Fund

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

(Continued)

Special Revenue Funds (Continued)

Fairfield County Court Surveillance Fund

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

Indigent Drivers Alcohol Treatment Fund

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

Law Enforcement and Education Fund

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

Municipal Court Judicial Computer Fund

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

Municipal Court Probation Fund

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

Municipal Court Computerization Fund

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

Municipal Court Special Projects Fund

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

Municipal Court Family Violence Fund

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

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.

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.

Special Revenue Funds (Continued)

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.

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, 2007**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Fund	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 2,913,631	\$ 97,729	\$ 285,993	\$ 155,259	\$ 3,452,612
Investments	384,493	0	0	744,246	1,128,739
Receivables (net of allowance for doubtful accounts):					
Taxes	707,926	0	0	0	707,926
Accounts	33,314	0	0	0	33,314
Intergovernmental	1,872,573	0	0	0	1,872,573
Interest	14,061	0	0	0	14,061
Special Assessments	0	534,329	0	0	534,329
Loans	1,657,235	0	0	0	1,657,235
Inventory of Supplies	155,799	0	0	0	155,799
Prepaid Items	12,725	0	0	0	12,725
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	215,345	0	0	0	215,345
Total Assets	\$ 7,967,102	\$ 632,058	\$ 285,993	\$ 899,505	\$ 9,784,658
Liabilities:					
Accounts Payable	\$ 156,882	\$ 0	\$ 0	\$ 0	\$ 156,882
Accrued Wages and Benefits Payable	155,294	0	0	0	155,294
Interfund Loans Payable	220,705	0	0	0	220,705
Deferred Revenue	2,021,506	534,329	0	0	2,555,835
Accrued Interest Payable	0	0	9,242	0	9,242
General Obligation Notes Payable	0	0	1,081,500	0	1,081,500
Total Liabilities	2,554,387	534,329	1,090,742	0	4,179,458
Fund Balances:					
Reserved for Encumbrances	6,109	0	0	0	6,109
Reserved for Prepaid Items	12,725	0	0	0	12,725
Reserved for Supplies Inventory	155,799	0	0	0	155,799
Reserved for Debt Service	0	97,729	0	0	97,729
Reserved for Loans Receivable	1,657,235	0	0	0	1,657,235
Reserved for Endowments	0	0	0	899,505	899,505
Unreserved, Undesignated in:					
Special Revenue Funds	3,580,847	0	0	0	3,580,847
Capital Projects Funds	0	0	(804,749)	0	(804,749)
Total Fund Balances	5,412,715	97,729	(804,749)	899,505	5,605,200
Total Liabilities and Fund Balances	\$ 7,967,102	\$ 632,058	\$ 285,993	\$ 899,505	\$ 9,784,658

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2007***

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Fund	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 1,834,313	\$ 0	\$ 0	\$ 0	\$ 1,834,313
Intergovernmental Revenues	3,810,426	0	0	0	3,810,426
Charges for Services	1,971,572	0	96,969	33,144	2,101,685
Licenses, Permits and Fees	1,400	0	0	0	1,400
Investment Earnings	43,528	0	0	38,907	82,435
Special Assessments	101,951	38,107	0	0	140,058
Fines and Forfeitures	778,220	0	0	0	778,220
All Other Revenue	185,359	0	20,000	0	205,359
Total Revenue	8,726,769	38,107	116,969	72,051	8,953,896
Expenditures:					
Current:					
Security of Persons and Property	654,922	0	0	0	654,922
Public Health and Welfare Services	598,486	0	0	0	598,486
Leisure Time Activities	2,194,345	0	0	0	2,194,345
Community Environment	568,359	0	0	0	568,359
Transportation	4,094,796	0	0	0	4,094,796
General Government	792,231	28,507	0	0	820,738
Capital Outlay	0	0	180,196	0	180,196
Debt Service:					
Principal Retirement	90,000	175,086	0	0	265,086
Interest and Fiscal Charges	58,347	164,788	33,577	0	256,712
Total Expenditures	9,051,486	368,381	213,773	0	9,633,640
Excess (Deficiency) of Revenues Over Expenditures	(324,717)	(330,274)	(96,804)	72,051	(679,744)
Other Financing Sources (Uses):					
Transfers In	924,124	310,236	84,420	0	1,318,780
Transfers Out	(524,000)	0	0	0	(524,000)
Other Financing Source - Capital Lease	440,386	0	0	0	440,386
Total Other Financing Sources (Uses)	840,510	310,236	84,420	0	1,235,166
Net Change in Fund Balances	515,793	(20,038)	(12,384)	72,051	555,422
Fund Balances at Beginning of Year	4,866,979	117,767	(792,365)	827,454	5,019,835
Increase in Inventory Reserve	29,943	0	0	0	29,943
Fund Balances End of Year	\$ 5,412,715	\$ 97,729	\$ (804,749)	\$ 899,505	\$ 5,605,200

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2007**

	Cemetery Fund	Street Construction, Maintenance and Repair Fund	Parks and Recreation Fund	Lancaster Public Transit Program Fund	Lancaster Community Development Fund
Assets:					
Cash and Cash Equivalents	\$ 81,696	\$ 492,211	\$ 301,977	\$ 141,608	\$ 68,648
Investments	0	0	0	0	0
Receivables (net of allowance for doubtful accounts):					
Taxes	16,782	0	251,726	0	0
Accounts	0	3,127	1,122	29,065	0
Intergovernmental	0	907,492	0	0	0
Interest	8,310	0	0	0	0
Loans	0	0	0	0	0
Inventory of Supplies	0	149,790	3,665	0	489
Prepaid Items	1,214	7,118	4,393	0	0
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	60,335	155,010	0	0	0
Total Assets	\$ 168,337	\$ 1,714,748	\$ 562,883	\$ 170,673	\$ 69,137
Liabilities:					
Accounts Payable	\$ 3,009	\$ 47,513	\$ 42,257	\$ 9,468	\$ 96
Accrued Wages and Benefits Payable	14,132	68,680	38,963	3,221	6,287
Interfund Loans Payable	0	0	185,705	35,000	0
Deferred Revenue	10,708	602,000	105,511	0	0
Total Liabilities	27,849	718,193	372,436	47,689	6,383
Fund Balances:					
Reserved for Encumbrances	89	1,793	3,613	67	0
Reserved for Prepaid Items	1,214	7,118	4,393	0	0
Reserved for Supplies Inventory	0	149,790	3,665	0	489
Reserved for Loans Receivable	0	0	0	0	0
Undesignated/Unreserved	139,185	837,854	178,776	122,917	62,265
Total Fund Balances	140,488	996,555	190,447	122,984	62,754
Total Liabilities and Fund Balances	\$ 168,337	\$ 1,714,748	\$ 562,883	\$ 170,673	\$ 69,137

CITY OF LANCASTER, OHIO

<u>Police and Fire Pension Fund</u>	<u>Fairfield County Court Surveillance Fund</u>	<u>Indigent Drivers Alcohol Treatment Fund</u>	<u>Law Enforcement and Education Fund</u>	<u>Municipal Court Judicial Computer Fund</u>	<u>Municipal Court Probation Fund</u>
\$ 0	\$ 24,138	\$ 153,346	\$ 69,072	\$ 97,051	\$ 103,467
0	0	0	0	0	0
439,418	0	0	0	0	0
0	0	0	0	0	0
18,000	43,021	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	1,003	0	0	0	852
0	0	0	0	0	0
0	0	0	0	0	0
<u>\$ 457,418</u>	<u>\$ 68,162</u>	<u>\$ 153,346</u>	<u>\$ 69,072</u>	<u>\$ 97,051</u>	<u>\$ 104,319</u>
\$ 0	\$ 3,230	\$ 0	\$ 0	\$ 3,772	\$ 0
0	4,082	0	0	0	11,493
0	0	0	0	0	0
457,418	20,883	0	0	0	0
<u>457,418</u>	<u>28,195</u>	<u>0</u>	<u>0</u>	<u>3,772</u>	<u>11,493</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	1,003	0	0	0	852
0	0	0	0	0	0
0	38,964	153,346	69,072	93,279	91,974
0	39,967	153,346	69,072	93,279	92,826
<u>\$ 457,418</u>	<u>\$ 68,162</u>	<u>\$ 153,346</u>	<u>\$ 69,072</u>	<u>\$ 97,051</u>	<u>\$ 104,319</u>

(Continued)

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2007**

	Municipal Court Computerization Fund	Municipal Court Special Projects Fund	Municipal Court Family Violence Fund	Municipal Drug Court Fund
Assets:				
Cash and Cash Equivalents	\$ 154,930	\$ 751,196	\$ 118,204	\$ 13,215
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	0
Interest	0	0	0	0
Loans	0	0	0	0
Inventory of Supplies	0	0	0	0
Prepaid Items	0	0	0	0
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0
Total Assets	\$ 154,930	\$ 751,196	\$ 118,204	\$ 13,215
Liabilities:				
Accounts Payable	\$ 11,465	\$ 17,759	\$ 2,620	\$ 3,122
Accrued Wages and Benefits Payable	3,731	0	2,395	2,310
Interfund Loans Payable	0	0	0	0
Deferred Revenue	0	0	0	0
Total Liabilities	15,196	17,759	5,015	5,432
Fund Balances:				
Reserved for Encumbrances	0	417	130	0
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	139,734	733,020	113,059	7,783
Total Fund Balances	139,734	733,437	113,189	7,783
Total Liabilities and Fund Balances	\$ 154,930	\$ 751,196	\$ 118,204	\$ 13,215

CITY OF LANCASTER, OHIO

<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>
\$ 98,548	\$ 47,990	\$ 129,754	\$ 66,580	\$ 2,913,631
0	144,875	0	239,618	384,493
0	0	0	0	707,926
0	0	0	0	33,314
857,869	46,191	0	0	1,872,573
0	4,550	0	1,201	14,061
1,657,235	0	0	0	1,657,235
0	0	0	0	155,799
0	0	0	0	12,725
0	0	0	0	215,345
<u>\$ 2,613,652</u>	<u>\$ 243,606</u>	<u>\$ 129,754</u>	<u>\$ 307,399</u>	<u>\$ 7,967,102</u>
\$ 12,571	\$ 0	\$ 0	\$ 0	\$ 156,882
0	0	0	0	155,294
0	0	0	0	220,705
791,350	32,435	0	1,201	2,021,506
<u>803,921</u>	<u>32,435</u>	<u>0</u>	<u>1,201</u>	<u>2,554,387</u>
0	0	0	0	6,109
0	0	0	0	12,725
0	0	0	0	155,799
1,657,235	0	0	0	1,657,235
152,496	211,171	129,754	306,198	3,580,847
<u>1,809,731</u>	<u>211,171</u>	<u>129,754</u>	<u>306,198</u>	<u>5,412,715</u>
<u>\$ 2,613,652</u>	<u>\$ 243,606</u>	<u>\$ 129,754</u>	<u>\$ 307,399</u>	<u>\$ 7,967,102</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, 2007***

	Cemetery Fund	Street Construction, Maintenance and Repair Fund	Parks and Recreation Fund	Special Improvement District Fund	Lancaster Public Transit Program Fund
Revenues:					
Taxes	\$ 88,105	\$ 0	\$ 1,332,777	\$ 0	\$ 0
Intergovernmental Revenues	0	1,873,600	318,734	0	561,204
Charges for Services	156,522	1,002,462	323,381	0	343,507
Licenses, Permits and Fees	0	0	1,400	0	0
Investment Earnings	2,381	0	0	0	0
Special Assessments	0	0	0	101,951	0
Fines and Forfeitures	0	0	0	0	0
All Other Revenue	7,221	99,605	53,643	0	10,390
Total Revenue	254,229	2,975,667	2,029,935	101,951	915,101
Expenditures:					
Current:					
Security of Persons and Property	0	0	0	0	0
Public Health and Welfare Services	572,814	0	0	0	0
Leisure Time Activities	0	0	2,194,345	0	0
Community Environment	0	0	0	101,951	0
Transportation	0	3,196,472	0	0	898,324
General Government	0	0	0	0	0
Debt Service:					
Principal Retirement	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0
Total Expenditures	572,814	3,196,472	2,194,345	101,951	898,324
Excess (Deficiency) of Revenues Over Expenditures	(318,585)	(220,805)	(164,410)	0	16,777
Other Financing Sources (Uses):					
Transfers In	250,000	455,000	117,779	0	60,000
Transfers Out	0	(424,000)	0	0	0
Other Financing Source - Capital Lease	80,000	240,000	120,386	0	0
Total Other Financing Sources (Uses)	330,000	271,000	238,165	0	60,000
Net Change in Fund Balances	11,415	50,195	73,755	0	76,777
Fund Balances (Deficit) at Beginning of Year	129,073	915,110	117,849	0	46,207
Increase (Decrease) in Inventory Reserve	0	31,250	(1,157)	0	0
Fund Balances End of Year	\$ 140,488	\$ 996,555	\$ 190,447	\$ 0	\$ 122,984

CITY OF LANCASTER, OHIO

Law Director Victim Assistance Fund	Lancaster Community Development Fund	Law Enforcement Block Grant Fund	Police and Fire Pension Fund	Fairfield County Court Surveillance Fund	Indigent Drivers Alcohol Treatment Fund	Law Enforcement and Education Fund
\$ 0	\$ 0	\$ 0	\$ 413,431	\$ 0	\$ 0	\$ 0
0	166,851	433	36,695	83,291	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	34,335	3,500
0	0	0	0	0	0	0
0	166,851	433	450,126	83,291	34,335	3,500
42,606	0	13,029	450,126	124,048	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	156,127	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
42,606	156,127	13,029	450,126	124,048	0	0
(42,606)	10,724	(12,596)	0	(40,757)	34,335	3,500
0	0	0	0	41,345	0	0
0	0	0	0	0	0	0
0	0	0	0	0	0	0
0	0	0	0	41,345	0	0
(42,606)	10,724	(12,596)	0	588	34,335	3,500
42,606	52,482	12,596	0	39,270	119,011	65,572
0	(452)	0	0	109	0	0
\$ 0	\$ 62,754	\$ 0	\$ 0	\$ 39,967	\$ 153,346	\$ 69,072

(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, 2007**

	Municipal Court Judicial Computer Fund	Municipal Court Probation Fund	Municipal Court Computerization Fund	Municipal Court Special Projects Fund
Revenues:				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	0	32,271	0	0
Charges for Services	0	0	0	0
Licenses, Permits and Fees	0	0	0	0
Investment Earnings	0	0	0	0
Special Assessments	0	0	0	0
Fines and Forfeitures	49,805	218,653	195,851	255,732
All Other Revenue	0	0	0	0
Total Revenue	49,805	250,924	195,851	255,732
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	15,889	290,204	278,249	69,861
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	15,889	290,204	278,249	69,861
Excess (Deficiency) of Revenues Over Expenditures	33,916	(39,280)	(82,398)	185,871
Other Financing Sources (Uses):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Other Financing Source - Capital Lease	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	33,916	(39,280)	(82,398)	185,871
Fund Balances (Deficit) at Beginning of Year	59,363	131,913	222,132	547,566
Increase (Decrease) in Inventory Reserve	0	193	0	0
Fund Balances End of Year	\$ 93,279	\$ 92,826	\$ 139,734	\$ 733,437

CITY OF LANCASTER, OHIO

Municipal Court Family Violence Fund	Municipal Drug Court Fund	CDBG Fund	State Highway Fund	Drug Enforcement Fund	Cemetery Interment Fund	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,834,313
0	76,220	565,011	96,116	0	0	3,810,426
112,642	0	0	0	0	33,058	1,971,572
0	0	0	0	0	0	1,400
0	0	3,839	29,801	0	7,507	43,528
0	0	0	0	0	0	101,951
0	0	0	0	20,344	0	778,220
13,000	1,500	0	0	0	0	185,359
<u>125,642</u>	<u>77,720</u>	<u>568,850</u>	<u>125,917</u>	<u>20,344</u>	<u>40,565</u>	<u>8,726,769</u>
0	0	0	0	25,113	0	654,922
0	0	0	0	0	25,672	598,486
0	0	0	0	0	0	2,194,345
0	0	310,281	0	0	0	568,359
0	0	0	0	0	0	4,094,796
68,091	69,937	0	0	0	0	792,231
0	0	90,000	0	0	0	90,000
0	0	58,347	0	0	0	58,347
<u>68,091</u>	<u>69,937</u>	<u>458,628</u>	<u>0</u>	<u>25,113</u>	<u>25,672</u>	<u>9,051,486</u>
57,551	7,783	110,222	125,917	(4,769)	14,893	(324,717)
0	0	0	0	0	0	924,124
0	0	0	(100,000)	0	0	(524,000)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>440,386</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>(100,000)</u>	<u>0</u>	<u>0</u>	<u>840,510</u>
57,551	7,783	110,222	25,917	(4,769)	14,893	515,793
55,638	0	1,699,509	185,254	134,523	291,305	4,866,979
0	0	0	0	0	0	29,943
<u>\$ 113,189</u>	<u>\$ 7,783</u>	<u>\$ 1,809,731</u>	<u>\$ 211,171</u>	<u>\$ 129,754</u>	<u>\$ 306,198</u>	<u>\$ 5,412,715</u>

CITY OF LANCASTER, OHIO

***Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2007***

	General Bond Retirement Fund	Special Assessment Debt Retirement Fund	Total Nonmajor Debt Service Funds
Assets:			
Cash and Cash Equivalents	\$ 97,729	\$ 0	\$ 97,729
Receivables (net of allowance for doubtful accounts):			
Special Assessments	0	534,329	534,329
Total Assets	<u>\$ 97,729</u>	<u>\$ 534,329</u>	<u>\$ 632,058</u>
Liabilities:			
Deferred Revenue	\$ 0	\$ 534,329	\$ 534,329
Total Liabilities	<u>0</u>	<u>534,329</u>	<u>534,329</u>
Fund Balances:			
Reserved for Debt Service	97,729	0	97,729
Total Fund Balances	<u>97,729</u>	<u>0</u>	<u>97,729</u>
Total Liabilities and Fund Balances	<u>\$ 97,729</u>	<u>\$ 534,329</u>	<u>\$ 632,058</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, 2007**

	General Bond Retirement Fund	Special Assessment Debt Retirement Fund	Total Nonmajor Debt Service Funds
Revenues:			
Special Assessments	\$ 0	\$ 38,107	\$ 38,107
Total Revenue	0	38,107	38,107
Expenditures:			
General Government	0	28,507	28,507
Debt Service:			
Principal Retirement	161,086	14,000	175,086
Interest and Fiscal Charges	149,150	15,638	164,788
Total Expenditures	310,236	58,145	368,381
Excess (Deficiency) of Revenues Over Expenditures	(310,236)	(20,038)	(330,274)
Other Financing Sources (Uses):			
Transfers In	310,236	0	310,236
Total Other Financing Sources (Uses)	310,236	0	310,236
Net Change in Fund Balances	0	(20,038)	(20,038)
Fund Balances at Beginning of Year	97,729	20,038	117,767
Fund Balances End of Year	\$ 97,729	\$ 0	\$ 97,729

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2007**

	Fire Capital Improvement Fund	Fire Impact - District One Fund	Total Nonmajor Capital Projects Funds
Assets:			
Cash and Cash Equivalents	\$ 30,409	\$ 255,584	\$ 285,993
Total Assets	<u>\$ 30,409</u>	<u>\$ 255,584</u>	<u>\$ 285,993</u>
Liabilities:			
Accrued Interest Payable	\$ 9,242	\$ 0	\$ 9,242
General Obligation Notes Payable	1,081,500	0	1,081,500
Total Liabilities	<u>1,090,742</u>	<u>0</u>	<u>1,090,742</u>
Fund Balances:			
Undesignated/Unreserved	(1,060,333)	255,584	(804,749)
Total Fund Balances	<u>(1,060,333)</u>	<u>255,584</u>	<u>(804,749)</u>
Total Liabilities and Fund Balances	<u>\$ 30,409</u>	<u>\$ 255,584</u>	<u>\$ 285,993</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, 2007***

	Fire Capital Improvement Fund	Fire Impact - District One Fund	Total Nonmajor Capital Projects Funds
Revenues:			
Charges for Services	\$ 0	\$ 96,969	\$ 96,969
All Other Revenue	20,000	0	20,000
Total Revenue	<u>20,000</u>	<u>96,969</u>	<u>116,969</u>
Expenditures:			
Capital Outlay	180,196	0	180,196
Debt Service:			
Interest and Fiscal Charges	33,577	0	33,577
Total Expenditures	<u>213,773</u>	<u>0</u>	<u>213,773</u>
Excess (Deficiency) of Revenues Over Expenditures	(193,773)	96,969	(96,804)
Other Financing Sources (Uses):			
Transfers In	84,420	0	84,420
Total Other Financing Sources (Uses)	<u>84,420</u>	<u>0</u>	<u>84,420</u>
Net Change in Fund Balances	(109,353)	96,969	(12,384)
Fund Balances at Beginning of Year	<u>(950,980)</u>	<u>158,615</u>	<u>(792,365)</u>
Fund Balances End of Year	<u>\$ (1,060,333)</u>	<u>\$ 255,584</u>	<u>\$ (804,749)</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 16,059,280	\$ 16,387,683	\$ 16,660,361	\$ 272,678
Intergovernmental Revenues	3,151,874	3,532,395	3,005,038	(527,357)
Charges for Services	3,575,700	3,589,104	3,286,104	(303,000)
License, Permits and Fees	25,000	25,000	25,359	359
Investment Earnings	1,015,000	1,015,000	1,146,090	131,090
Fines and Forfeitures	892,000	892,000	717,723	(174,277)
All Other Revenues	838,308	843,314	654,044	(189,270)
Total Revenues	<u>25,557,162</u>	<u>26,284,496</u>	<u>25,494,719</u>	<u>(789,777)</u>
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	7,041,278	7,058,276	6,662,160	396,116
Operations and Maintenance	535,354	560,632	456,054	104,578
Capital Outlay	54,065	27,915	22,291	5,624
Total Police	<u>7,630,697</u>	<u>7,646,823</u>	<u>7,140,505</u>	<u>506,318</u>
Fire:				
Personal Services	8,332,077	8,333,345	8,004,664	328,681
Operations and Maintenance	461,591	569,330	511,795	57,535
Capital Outlay	177,181	167,924	164,677	3,247
Total Fire	<u>8,970,849</u>	<u>9,070,599</u>	<u>8,681,136</u>	<u>389,463</u>
Street Lighting:				
Operations and Maintenance	195,000	234,000	233,921	79
Total Street Lighting	<u>195,000</u>	<u>234,000</u>	<u>233,921</u>	<u>79</u>
Total Security of Persons and Property	<u>16,796,546</u>	<u>16,951,422</u>	<u>16,055,562</u>	<u>895,860</u>
Public Health and Welfare Services:				
Health:				
Operations and Maintenance	279,900	294,822	294,822	0
Total Health	<u>279,900</u>	<u>294,822</u>	<u>294,822</u>	<u>0</u>
Total Public Health and Welfare Services	<u>279,900</u>	<u>294,822</u>	<u>294,822</u>	<u>0</u>

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2007***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Community Environment:				
Zoning, Planning, Tree Commissions:				
Operations and Maintenance	90,117	90,117	65,437	24,680
Total Zoning, Planning, Tree Commission	90,117	90,117	65,437	24,680
Economic Development:				
Personal Services	14,270	14,270	13,789	481
Operations and Maintenance	44,000	44,000	30,972	13,028
Total Economic Development	58,270	58,270	44,761	13,509
Total Community Environment	148,387	148,387	110,198	38,189
General Government:				
Council:				
Personal Services	120,490	120,490	120,086	404
Operations and Maintenance	8,800	8,800	4,981	3,819
Total Council	129,290	129,290	125,067	4,223
Mayor:				
Personal Services	163,006	163,006	162,873	133
Operations and Maintenance	6,900	8,415	5,034	3,381
Capital Outlay	1,500	500	0	500
Total Mayor	171,406	171,921	167,907	4,014
Personnel:				
Operations and Maintenance	23,924	23,924	10,757	13,167
Capital Outlay	3,000	3,000	0	3,000
Total Personnel	26,924	26,924	10,757	16,167
Auditor:				
Personal Services	378,287	378,601	377,954	647
Operations and Maintenance	30,813	32,813	31,927	886
Capital Outlay	2,709	3,509	3,450	59
Total Auditor	411,809	414,923	413,331	1,592

(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, 2007***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Treasurer:				
Personal Services	19,550	19,596	19,592	4
Operations and Maintenance	6,653	7,107	7,077	30
Capital Outlay	500	0	0	0
Total Treasurer	26,703	26,703	26,669	34
Law Director:				
Personal Services	420,412	415,410	400,024	15,386
Operations and Maintenance	71,181	83,441	76,507	6,934
Capital Outlay	5,027	5,027	5,011	16
Total Law Director	496,620	503,878	481,542	22,336
Law Director-Prosecution Contract:				
Personal Services	104,985	110,263	108,266	1,997
Operations and Maintenance	5,248	6,748	3,775	2,973
Capital Outlay	370	370	370	0
Total Law Director-Prosecution Contract	110,603	117,381	112,411	4,970
Law Director-Code Enforcement:				
Personal Services	63,955	63,955	63,949	6
Operations and Maintenance	18,002	27,702	24,345	3,357
Capital Outlay	0	300	0	300
Total Law Director-Code Enforcement	81,957	91,957	88,294	3,663
Municipal Court:				
Personal Services	699,440	701,261	695,521	5,740
Operations and Maintenance	76,907	76,157	75,796	361
Total Municipal Court	776,347	777,418	771,317	6,101
Judicial:				
Personal Services	559,623	560,051	545,217	14,834
Operations and Maintenance	93,666	95,238	60,062	35,176
Capital Outlay	2,127	1,127	406	721
Total Judicial	655,416	656,416	605,685	50,731
Civil Service:				
Personal Services	6,598	6,598	5,977	621
Operations and Maintenance	28,693	28,693	13,766	14,927
Total Civil Service	35,291	35,291	19,743	15,548

(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, 2007***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
City Hall Maintenance:				
Personal Services	128,125	128,125	118,584	9,541
Operations and Maintenance	66,128	74,428	64,068	10,360
Capital Outlay	3,900	3,900	3,818	82
Total City Hall Maintenance	198,153	206,453	186,470	19,983
City Hall Maintenance-Annex:				
Operations and Maintenance	32,687	36,487	32,387	4,100
Total City Hall Maintenance-Annex	32,687	36,487	32,387	4,100
Maple Street Facilities:				
Operations and Maintenance	10,173	10,973	6,551	4,422
Total Maple Street Facilities	10,173	10,973	6,551	4,422
Fuel Depot:				
Operations and Maintenance	331,753	331,753	228,216	103,537
Total Fuel Depot	331,753	331,753	228,216	103,537
Service Safety Director:				
Personal Services	165,060	165,060	164,900	160
Operations and Maintenance	9,573	9,573	8,042	1,531
Total Service Safety Director	174,633	174,633	172,942	1,691
Engineer:				
Personal Services	651,300	651,300	639,313	11,987
Operations and Maintenance	86,700	79,200	48,794	30,406
Capital Outlay	8,150	15,650	13,765	1,885
Total Engineer	746,150	746,150	701,872	44,278
Certified Building Inspection:				
Personal Services	495,900	490,362	471,584	18,778
Operations and Maintenance	195,458	201,496	197,625	3,871
Capital Outlay	3,100	2,600	2,374	226
Total Certified Building Inspection	694,458	694,458	671,583	22,875

(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, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Administration Support:				
Personal Services	60,000	60,000	40,243	19,757
Operations and Maintenance	354,388	411,057	321,722	89,335
Total Administration Support	414,388	471,057	361,965	109,092
Miscellaneous:				
Personal Services	562,500	564,341	562,129	2,212
Operations and Maintenance	995,245	1,302,436	1,198,369	104,067
Total Miscellaneous	1,557,745	1,866,777	1,760,498	106,279
Income Tax:				
Personal Services	474,860	402,455	402,455	0
Operations and Maintenance	460,423	472,724	468,378	4,346
Capital Outlay	13,915	10,848	9,637	1,211
Total Income Tax	949,198	886,027	880,470	5,557
Total General Government	8,031,704	8,376,870	7,825,677	551,193
Total Expenditures	25,256,537	25,771,501	24,286,259	1,485,242
Excess (Deficiency) of Revenues Over (Under) Expenditures	300,625	512,995	1,208,460	695,465
Other Financing Sources (Uses):				
Transfers In	22,115	(285)	78,484	78,769
Transfers Out	(1,224,339)	(1,797,555)	(1,797,555)	0
Advances In	140,000	350,000	350,000	0
Advances Out	0	(325,000)	(325,000)	0
Total Other Financing Sources (Uses)	(1,062,224)	(1,772,840)	(1,694,071)	78,769
Net Change in Fund Balance	(761,599)	(1,259,845)	(485,611)	774,234
Fund Balance at Beginning of Year	2,821,681	2,821,681	2,821,681	0
Prior Year Encumbrances	301,157	301,157	301,157	0
Fund Balance at End of Year	<u>\$ 2,361,239</u>	<u>\$ 1,862,993</u>	<u>\$ 2,637,227</u>	<u>\$ 774,234</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Projects Fund – Capital Improvement Fund
For the Year Ended December 31, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 83,969	\$ 260,772	\$ 258,729	\$ (2,043)
Intergovernmental Revenues	0	853,368	1,812,188	958,820
All Other Revenues	0	337,134	339,089	1,955
Total Revenues	83,969	1,451,274	2,410,006	958,732
Expenditures:				
Capital Outlay	1,044,770	3,844,790	2,570,851	1,273,939
Debt Service:				
Principal Retirement	2,225,600	3,505,700	1,280,100	2,225,600
Interest and Fiscal Charges	56,448	123,626	67,178	56,448
Total Expenditures	3,326,818	7,474,116	3,918,129	3,555,987
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,242,849)	(6,022,842)	(1,508,123)	4,514,719
Other Financing Sources (Uses):				
General Obligation Notes Issued	0	0	1,156,100	1,156,100
Transfers In	207,758	1,192,583	1,192,583	0
Transfers Out	(239,327)	(324,023)	(274,023)	50,000
Advances In	0	0	39,295	39,295
Advances Out	0	(39,295)	(39,295)	0
Total Other Financing Sources (Uses)	(31,569)	829,265	2,074,660	1,245,395
Net Change in Fund Balance	(3,274,418)	(5,193,577)	566,537	5,760,114
Fund Balance at Beginning of Year	1,351,672	1,351,672	1,351,672	0
Fund Balance at End of Year	\$ (1,922,746)	\$ (3,841,905)	\$ 1,918,209	\$ 5,760,114

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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 0	\$ 0	\$ 83,273	\$ 83,273
All Other Revenues	0	0	134,303	134,303
Total Revenues	0	0	217,576	217,576
Expenditures:				
Capital Outlay	4,311,464	4,432,282	3,374,971	1,057,311
Debt Service:				
Principal Retirement	0	4,840,590	4,840,590	0
Interest and Fiscal Charges	198,000	379,735	181,735	198,000
Total Expenditures	4,509,464	9,652,607	8,397,296	1,255,311
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,509,464)	(9,652,607)	(8,179,720)	1,472,887
Other Financing Sources (Uses):				
General Obligation Notes Issued	0	1,242,119	6,110,765	4,868,646
Transfers In	0	0	3,020,771	3,020,771
Transfers Out	0	(3,100,412)	(3,020,771)	79,641
Total Other Financing Sources (Uses)	0	(1,858,293)	6,110,765	7,969,058
Net Change in Fund Balance	(4,509,464)	(11,510,900)	(2,068,955)	9,441,945
Fund Balance at Beginning of Year	3,159,901	3,159,901	3,159,901	0
Fund Balance at End of Year	\$ (1,349,563)	\$ (8,350,999)	\$ 1,090,946	\$ 9,441,945

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, 2007**

CEMETERY FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 83,969	\$ 87,543	\$ 88,048	\$ 505
Charges for Services	200,000	200,000	168,482	(31,518)
Investment Earnings	15,000	15,000	8,327	(6,673)
All Other Revenues	50,000	50,000	7,221	(42,779)
Total Revenues	<u>348,969</u>	<u>352,543</u>	<u>272,078</u>	<u>(80,465)</u>
Expenditures:				
Public Health and Welfare Services:				
Personal Services	383,100	383,100	357,378	25,722
Operations and Maintenance	203,272	207,472	191,778	15,694
Capital Outlay	23,700	23,700	2,356	21,344
Total Expenditures	<u>610,072</u>	<u>614,272</u>	<u>551,512</u>	<u>62,760</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(261,103)	(261,729)	(279,434)	(17,705)
Other Financing Sources (Uses):				
Transfers In	250,000	250,000	250,000	0
Total Other Financing Sources (Uses)	<u>250,000</u>	<u>250,000</u>	<u>250,000</u>	<u>0</u>
Net Change in Fund Balance	(11,103)	(11,729)	(29,434)	(17,705)
Fund Balance at Beginning of Year	109,000	109,000	109,000	0
Prior Year Encumbrances	1,842	1,842	1,842	0
Fund Balance at End of Year	<u>\$ 99,739</u>	<u>\$ 99,113</u>	<u>\$ 81,408</u>	<u>\$ (17,705)</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, 2007***

	STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 1,905,000	\$ 1,905,000	\$ 1,868,048	\$ (36,952)
Charges for Services	419,000	419,000	1,002,462	583,462
Investment Earnings	650	650	0	(650)
All Other Revenues	80,000	80,000	99,605	19,605
Total Revenues	<u>2,404,650</u>	<u>2,404,650</u>	<u>2,970,115</u>	<u>565,465</u>
Expenditures:				
Transportation:				
Personal Services	1,875,200	1,862,200	1,799,808	62,392
Operations and Maintenance	905,528	1,138,528	1,094,400	44,128
Capital Outlay	194,113	226,763	226,053	710
Total Expenditures	<u>2,974,841</u>	<u>3,227,491</u>	<u>3,120,261</u>	<u>107,230</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(570,191)	(822,841)	(150,146)	672,695
Other Financing Sources (Uses):				
Transfers In	455,000	455,000	455,000	0
Transfers Out	0	(424,000)	(424,000)	0
Total Other Financing Sources (Uses)	<u>455,000</u>	<u>31,000</u>	<u>31,000</u>	<u>0</u>
Net Change in Fund Balance	(115,191)	(791,841)	(119,146)	672,695
Fund Balance at Beginning of Year	556,642	556,642	556,642	0
Prior Year Encumbrances	28,486	28,486	28,486	0
Fund Balance at End of Year	<u>\$ 469,937</u>	<u>\$ (206,713)</u>	<u>\$ 465,982</u>	<u>\$ 672,695</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, 2007***

PARKS AND RECREATION FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,259,537	\$ 1,324,720	\$ 1,331,931	\$ 7,211
Intergovernmental Revenues	25,000	240,927	318,734	77,807
Charges for Services	402,000	402,000	336,372	(65,628)
Licenses, Permits and Fees	1,000	1,000	1,400	400
All Other Revenues	50,000	50,000	53,521	3,521
Total Revenues	<u>1,737,537</u>	<u>2,018,647</u>	<u>2,041,958</u>	<u>23,311</u>
Expenditures:				
Leisure Time Activities:				
Personal Services	1,198,680	1,208,726	1,167,085	41,641
Operations and Maintenance	583,562	621,466	556,362	65,104
Capital Outlay	203,359	583,723	381,960	201,763
Total Expenditures	<u>1,985,601</u>	<u>2,413,915</u>	<u>2,105,407</u>	<u>308,508</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(248,064)	(395,268)	(63,449)	331,819
Other Financing Sources (Uses):				
Transfers In	0	78,484	78,484	0
Advances In	100,000	100,000	185,705	85,705
Advances Out	0	(185,705)	(185,705)	0
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>(7,221)</u>	<u>78,484</u>	<u>85,705</u>
Net Change in Fund Balance	(148,064)	(402,489)	15,035	417,524
Fund Balance at Beginning of Year	243,644	243,644	243,644	0
Prior Year Encumbrances	36,672	36,672	36,672	0
Fund Balance at End of Year	<u>\$ 132,252</u>	<u>\$ (122,173)</u>	<u>\$ 295,351</u>	<u>\$ 417,524</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, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Special Assessments	\$ 96,314	\$ 101,872	\$ 101,951	\$ 79
Total Revenues	<u>96,314</u>	<u>101,872</u>	<u>101,951</u>	<u>79</u>
Expenditures:				
Community Environment:				
Operations and Maintenance	<u>96,314</u>	<u>101,951</u>	<u>101,951</u>	<u>0</u>
Total Expenditures	<u>96,314</u>	<u>101,951</u>	<u>101,951</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(79)	0	79
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ (79)</u>	<u>\$ 0</u>	<u>\$ 79</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, 2007**

LANCASTER PUBLIC TRANSIT PROGRAM FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 471,710	\$ 471,710	\$ 561,204	\$ 89,494
Charges for Services	320,000	320,000	314,875	(5,125)
All Other Revenues	5,000	5,000	10,390	5,390
Total Revenues	<u>796,710</u>	<u>796,710</u>	<u>886,469</u>	<u>89,759</u>
Expenditures:				
Transportation:				
Personal Services	71,210	71,320	69,198	2,122
Operations and Maintenance	803,785	838,675	770,970	67,705
Capital Outlay	128,490	209,490	61,227	148,263
Total Expenditures	<u>1,003,485</u>	<u>1,119,485</u>	<u>901,395</u>	<u>218,090</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(206,775)	(322,775)	(14,926)	307,849
Other Financing Sources (Uses):				
Transfers In	60,000	60,000	60,000	0
Advances In	85,000	201,000	116,000	(85,000)
Advances Out	0	(141,000)	(141,000)	0
Total Other Financing Sources (Uses)	<u>145,000</u>	<u>120,000</u>	<u>35,000</u>	<u>(85,000)</u>
Net Change in Fund Balance	(61,775)	(202,775)	20,074	222,849
Fund Balance at Beginning of Year	56,340	56,340	56,340	0
Prior Year Encumbrances	61,775	61,775	61,775	0
Fund Balance at End of Year	<u>\$ 56,340</u>	<u>\$ (84,660)</u>	<u>\$ 138,189</u>	<u>\$ 222,849</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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 0	\$ 5,779	\$ 5,779
Total Revenues	<u>0</u>	<u>0</u>	<u>5,779</u>	<u>5,779</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	0	1,321	1,321	0
Operations and Maintenance	<u>0</u>	<u>42,606</u>	<u>42,606</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>43,927</u>	<u>43,927</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(43,927)	(38,148)	5,779
Fund Balance at Beginning of Year	<u>38,148</u>	<u>38,148</u>	<u>38,148</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 38,148</u>	<u>\$ (5,779)</u>	<u>\$ 0</u>	<u>\$ 5,779</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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 163,600	\$ 163,600	\$ 166,851	\$ 3,251
Total Revenues	<u>163,600</u>	<u>163,600</u>	<u>166,851</u>	<u>3,251</u>
Expenditures:				
Community Environment:				
Personal Services	159,600	159,700	156,602	3,098
Operations and Maintenance	<u>4,000</u>	<u>3,900</u>	<u>1,071</u>	<u>2,829</u>
Total Expenditures	<u>163,600</u>	<u>163,600</u>	<u>157,673</u>	<u>5,927</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	9,178	9,178
Fund Balance at Beginning of Year	<u>59,470</u>	<u>59,470</u>	<u>59,470</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 59,470</u>	<u>\$ 59,470</u>	<u>\$ 68,648</u>	<u>\$ 9,178</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, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 0	\$ 482	\$ 482
Total Revenues	<u>0</u>	<u>0</u>	<u>482</u>	<u>482</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	<u>0</u>	<u>13,029</u>	<u>13,029</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>13,029</u>	<u>13,029</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(13,029)	(12,547)	482
Fund Balance at Beginning of Year	<u>12,547</u>	<u>12,547</u>	<u>12,547</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 12,547</u>	<u>\$ (482)</u>	<u>\$ 0</u>	<u>\$ 482</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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 425,000	\$ 425,000	\$ 413,431	\$ (11,569)
Intergovernmental Revenues	25,126	25,126	36,695	11,569
Total Revenues	<u>450,126</u>	<u>450,126</u>	<u>450,126</u>	<u>0</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	<u>450,126</u>	<u>450,126</u>	<u>450,126</u>	<u>0</u>
Total Expenditures	<u>450,126</u>	<u>450,126</u>	<u>450,126</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2007***

FAIRFIELD COUNTY COURT SURVEILLANCE FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 73,537	\$ 73,537	\$ 90,537	\$ 17,000
Total Revenues	<u>73,537</u>	<u>73,537</u>	<u>90,537</u>	<u>17,000</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	103,841	103,841	100,345	3,496
Operations and Maintenance	11,145	31,145	20,602	10,543
Total Expenditures	<u>114,986</u>	<u>134,986</u>	<u>120,947</u>	<u>14,039</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(41,449)	(61,449)	(30,410)	31,039
Other Financing Sources (Uses):				
Transfers In	41,345	41,345	41,345	0
Total Other Financing Sources (Uses)	<u>41,345</u>	<u>41,345</u>	<u>41,345</u>	<u>0</u>
Net Change in Fund Balance	(104)	(20,104)	10,935	31,039
Fund Balance at Beginning of Year	13,099	13,099	13,099	0
Prior Year Encumbrances	104	104	104	0
Fund Balance at End of Year	<u>\$ 13,099</u>	<u>\$ (6,901)</u>	<u>\$ 24,138</u>	<u>\$ 31,039</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, 2007***

INDIGENT DRIVERS ALCOHOL TREATMENT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Fines and Forfeitures	\$ 35,000	\$ 35,000	\$ 34,904	\$ (96)
Total Revenues	<u>35,000</u>	<u>35,000</u>	<u>34,904</u>	<u>(96)</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	<u>75,000</u>	<u>75,000</u>	<u>0</u>	<u>75,000</u>
Total Expenditures	<u>75,000</u>	<u>75,000</u>	<u>0</u>	<u>75,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,000)	(40,000)	34,904	74,904
Fund Balance at Beginning of Year	<u>117,832</u>	<u>117,832</u>	<u>117,832</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 77,832</u></u>	<u><u>\$ 77,832</u></u>	<u><u>\$ 152,736</u></u>	<u><u>\$ 74,904</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, 2007***

LAW ENFORCEMENT AND EDUCATION FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 3,000	\$ 3,000	\$ 3,538	\$ 538
Total Revenues	<u>3,000</u>	<u>3,000</u>	<u>3,538</u>	<u>538</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,000	3,000	3,538	538
Other Financing Sources (Uses):				
Transfers Out	<u>(3,000)</u>	<u>(3,000)</u>	<u>0</u>	<u>3,000</u>
Total Other Financing Sources (Uses)	<u>(3,000)</u>	<u>(3,000)</u>	<u>0</u>	<u>3,000</u>
Net Change in Fund Balance	0	0	3,538	3,538
Fund Balance at Beginning of Year	<u>65,273</u>	<u>65,273</u>	<u>65,273</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 65,273</u></u>	<u><u>\$ 65,273</u></u>	<u><u>\$ 68,811</u></u>	<u><u>\$ 3,538</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, 2007***

MUNICIPAL COURT JUDICIAL COMPUTER FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 50,000	\$ 50,000	\$ 50,096	\$ 96
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>50,096</u>	<u>96</u>
Expenditures:				
General Government:				
Operations and Maintenance	61,248	64,398	10,956	53,442
Capital Outlay	<u>49,700</u>	<u>46,550</u>	<u>6,541</u>	<u>40,009</u>
Total Expenditures	<u>110,948</u>	<u>110,948</u>	<u>17,497</u>	<u>93,451</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(60,948)	(60,948)	32,599	93,547
Fund Balance at Beginning of Year	53,864	53,864	53,864	0
Prior Year Encumbrances	<u>5,947</u>	<u>5,947</u>	<u>5,947</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (1,137)</u>	<u>\$ (1,137)</u>	<u>\$ 92,410</u>	<u>\$ 93,547</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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 10,000	\$ 10,000	\$ 32,271	\$ 22,271
Fines and Forfeitures	290,000	290,000	223,225	(66,775)
Total Revenues	<u>300,000</u>	<u>300,000</u>	<u>255,496</u>	<u>(44,504)</u>
Expenditures:				
General Government:				
Personal Services	379,890	367,409	277,474	89,935
Operations and Maintenance	0	12,481	10,140	2,341
Total Expenditures	<u>379,890</u>	<u>379,890</u>	<u>287,614</u>	<u>92,276</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(79,890)	(79,890)	(32,118)	47,772
Fund Balance at Beginning of Year	<u>121,730</u>	<u>121,730</u>	<u>121,730</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 41,840</u>	<u>\$ 41,840</u>	<u>\$ 89,612</u>	<u>\$ 47,772</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, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 200,000	\$ 200,000	\$ 196,795	\$ (3,205)
Total Revenues	<u>200,000</u>	<u>200,000</u>	<u>196,795</u>	<u>(3,205)</u>
Expenditures:				
General Government:				
Personal Services	92,740	92,740	92,242	498
Operations and Maintenance	223,523	226,523	145,398	81,125
Capital Outlay	<u>117,825</u>	<u>114,825</u>	<u>39,990</u>	<u>74,835</u>
Total Expenditures	<u>434,088</u>	<u>434,088</u>	<u>277,630</u>	<u>156,458</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(234,088)	(234,088)	(80,835)	153,253
Fund Balance at Beginning of Year	82,573	82,573	82,573	0
Prior Year Encumbrances	<u>133,087</u>	<u>133,087</u>	<u>133,087</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (18,428)</u>	<u>\$ (18,428)</u>	<u>\$ 134,825</u>	<u>\$ 153,253</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, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 275,000	\$ 275,000	\$ 257,349	\$ (17,651)
Total Revenues	<u>275,000</u>	<u>275,000</u>	<u>257,349</u>	<u>(17,651)</u>
Expenditures:				
General Government:				
Operations and Maintenance	610,580	632,930	62,898	570,032
Capital Outlay	<u>145,000</u>	<u>122,650</u>	<u>8,171</u>	<u>114,479</u>
Total Expenditures	<u>755,580</u>	<u>755,580</u>	<u>71,069</u>	<u>684,511</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(480,580)	(480,580)	186,280	666,860
Fund Balance at Beginning of Year	519,691	519,691	519,691	0
Prior Year Encumbrances	<u>10,580</u>	<u>10,580</u>	<u>10,580</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 49,691</u>	<u>\$ 49,691</u>	<u>\$ 716,551</u>	<u>\$ 666,860</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, 2007***

MUNICIPAL COURT FAMILY VIOLENCE FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 115,000	\$ 115,000	\$ 113,491	\$ (1,509)
All Other Revenues	10,000	10,000	13,000	3,000
Total Revenues	<u>125,000</u>	<u>125,000</u>	<u>126,491</u>	<u>1,491</u>
Expenditures:				
General Government:				
Personal Services	43,007	44,339	38,673	5,666
Operations and Maintenance	60,312	59,679	24,943	34,736
Capital Outlay	2,451	3,084	3,084	0
Total Expenditures	<u>105,770</u>	<u>107,102</u>	<u>66,700</u>	<u>40,402</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	19,230	17,898	59,791	41,893
Fund Balance at Beginning of Year	46,888	46,888	46,888	0
Prior Year Encumbrances	3,042	3,042	3,042	0
Fund Balance at End of Year	<u>\$ 69,160</u>	<u>\$ 67,828</u>	<u>\$ 109,721</u>	<u>\$ 41,893</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, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
MUNICIPAL DRUG COURT FUND				
Revenues:				
Intergovernmental Revenues	\$ 76,221	\$ 76,221	\$ 76,220	\$ (1)
All Other Revenues	0	1,500	1,500	0
Total Revenues	<u>76,221</u>	<u>77,721</u>	<u>77,720</u>	<u>(1)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	76,221	61,389	49,478	11,911
Operations and Maintenance	0	16,333	15,027	1,306
Total Expenditures	<u>76,221</u>	<u>77,722</u>	<u>64,505</u>	<u>13,217</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(1)	13,215	13,216
Other Financing Sources (Uses):				
Advances In	0	0	19,000	19,000
Advances Out	0	(19,000)	(19,000)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(19,000)</u>	<u>0</u>	<u>19,000</u>
Net Change in Fund Balance	0	(19,001)	13,215	32,216
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ (19,001)</u>	<u>\$ 13,215</u>	<u>\$ 32,216</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, 2007***

COMMUNITY DEVELOPMENT BLOCK GRANT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 0	\$ 606,585	\$ 606,585
Investment Earnings	0	0	2,722	2,722
All Other Revenues	0	0	4,876	4,876
Total Revenues	<u>0</u>	<u>0</u>	<u>614,183</u>	<u>614,183</u>
Expenditures:				
Community Environment:				
Operations and Maintenance	0	4,176	2,016	2,160
Capital Outlay	0	1,638,340	518,105	1,120,235
Total Community Environment	<u>0</u>	<u>1,642,516</u>	<u>520,121</u>	<u>1,122,395</u>
Debt Service:				
Principal Retirement	0	90,000	90,000	0
Interest and Fiscal Charges	0	58,347	58,347	0
Total Debt Service	<u>0</u>	<u>148,347</u>	<u>148,347</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>1,790,863</u>	<u>668,468</u>	<u>1,122,395</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(1,790,863)	(54,285)	1,736,578
Other Financing Sources (Uses):				
Transfers In	0	0	80,000	80,000
Transfers Out	0	(80,000)	(80,000)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(80,000)</u>	<u>0</u>	<u>80,000</u>
Net Change in Fund Balance	0	(1,870,863)	(54,285)	1,816,578
Fund Balance at Beginning of Year	<u>152,833</u>	<u>152,833</u>	<u>152,833</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 152,833</u>	<u>\$ (1,718,030)</u>	<u>\$ 98,548</u>	<u>\$ 1,816,578</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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 95,000	\$ 95,000	\$ 95,766	\$ 766
Investment Earnings	25,000	25,000	27,622	2,622
Total Revenues	<u>120,000</u>	<u>120,000</u>	<u>123,388</u>	<u>3,388</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	120,000	120,000	123,388	3,388
Other Financing Sources (Uses):				
Transfers Out	<u>0</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>0</u>
Net Change in Fund Balance	120,000	20,000	23,388	3,388
Fund Balance at Beginning of Year	<u>169,234</u>	<u>169,234</u>	<u>169,234</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 289,234</u>	<u>\$ 189,234</u>	<u>\$ 192,622</u>	<u>\$ 3,388</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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 42,000	\$ 42,000	\$ 33,058	\$ (8,942)
Investment Earnings	8,000	8,000	9,460	1,460
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>42,518</u>	<u>(7,482)</u>
Expenditures:				
Public Health and Welfare Services:				
Operations and Maintenance	<u>30,000</u>	<u>30,000</u>	<u>25,672</u>	<u>4,328</u>
Total Expenditures	<u>30,000</u>	<u>30,000</u>	<u>25,672</u>	<u>4,328</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	20,000	20,000	16,846	(3,154)
Fund Balance at Beginning of Year	<u>289,352</u>	<u>289,352</u>	<u>289,352</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 309,352</u>	<u>\$ 309,352</u>	<u>\$ 306,198</u>	<u>\$ (3,154)</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, 2007**

GENERAL BOND RETIREMENT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Debt Service:				
Principal Retirement	0	161,086	161,086	0
Interest and Fiscal Charges	0	149,150	149,150	0
Total Expenditures	0	310,236	310,236	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(310,236)	(310,236)	0
Other Financing Sources (Uses):				
Transfers In	310,236	310,236	350,161	39,925
Transfers Out	0	(39,925)	(39,925)	0
Total Other Financing Sources (Uses)	310,236	270,311	310,236	39,925
Net Change in Fund Balance	310,236	(39,925)	0	39,925
Fund Balance at Beginning of Year	97,729	97,729	97,729	0
Fund Balance at End of Year	<u>\$ 407,965</u>	<u>\$ 57,804</u>	<u>\$ 97,729</u>	<u>\$ 39,925</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, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Special Assessments	\$ 50,000	\$ 50,000	\$ 38,107	\$ (11,893)
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>38,107</u>	<u>(11,893)</u>
Expenditures:				
General Government:				
Operations and Maintenance	0	28,507	28,507	0
Debt Service:				
Principal Retirement	0	14,000	14,000	0
Interest and Fiscal Charges	<u>0</u>	<u>15,638</u>	<u>15,638</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>58,145</u>	<u>58,145</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	50,000	(8,145)	(20,038)	(11,893)
Fund Balance at Beginning of Year	<u>20,038</u>	<u>20,038</u>	<u>20,038</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 70,038</u>	<u>\$ 11,893</u>	<u>\$ 0</u>	<u>\$ (11,893)</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, 2007***

FIRE CAPITAL IMPROVEMENT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenues	\$ 0	\$ 20,000	\$ 20,000	\$ 0
Total Revenues	<u>0</u>	<u>20,000</u>	<u>20,000</u>	<u>0</u>
Expenditures:				
Capital Outlay	0	190,000	180,196	9,804
Debt Service:				
Principal Retirement	0	931,500	931,500	0
Interest and Fiscal Charges	0	5,287	5,287	0
Total Expenditures	<u>0</u>	<u>1,126,787</u>	<u>1,116,983</u>	<u>9,804</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(1,106,787)	(1,096,983)	9,804
Other Financing Sources (Uses):				
General Obligation Notes Issued	0	281,500	1,081,500	800,000
Transfers In	0	0	118,825	118,825
Transfers Out	0	(39,925)	(39,925)	0
Advances In	0	0	190,000	190,000
Advances Out	0	(190,000)	(190,000)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>51,575</u>	<u>1,160,400</u>	<u>1,108,825</u>
Net Change in Fund Balance	0	(1,055,212)	63,417	1,118,629
Fund Balance at Beginning of Year	<u>45,892</u>	<u>45,892</u>	<u>45,892</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 45,892</u>	<u>\$ (1,009,320)</u>	<u>\$ 109,309</u>	<u>\$ 1,118,629</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, 2007***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 0	\$ 0	\$ 96,969	\$ 96,969
Total Revenues	<u>0</u>	<u>0</u>	<u>96,969</u>	<u>96,969</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	96,969	96,969
Fund Balance at Beginning of Year	<u>158,615</u>	<u>158,615</u>	<u>158,615</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 158,615</u>	<u>\$ 158,615</u>	<u>\$ 255,584</u>	<u>\$ 96,969</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, 2007**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 32,000	\$ 32,000	\$ 33,337	\$ 1,337
Investment Earnings	0	0	38,907	38,907
Total Revenues	<u>32,000</u>	<u>32,000</u>	<u>72,244</u>	<u>40,244</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	32,000	32,000	72,244	40,244
Fund Balance at Beginning of Year	<u>827,261</u>	<u>827,261</u>	<u>827,261</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 859,261</u>	<u>\$ 859,261</u>	<u>\$ 899,505</u>	<u>\$ 40,244</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, 2007**

	Utilities Collection	Information Services	Health Insurance Management	Total
Assets:				
<i>Current Assets:</i>				
Cash and Cash Equivalents	\$ 398,287	\$ 156,800	\$ 41,617	\$ 596,704
Receivables:				
Accounts	0	450	0	450
Inventory of Supplies at Cost	50,551	2,945	0	53,496
Prepaid Items	603	0	3,379,791	3,380,394
Total Current Assets	449,441	160,195	3,421,408	4,031,044
<i>Non Current Assets:</i>				
Capital Assets Being Depreciated, Net	65,557	169,770	0	235,327
Total Assets	514,998	329,965	3,421,408	4,266,371
Liabilities:				
<i>Current Liabilities:</i>				
Accounts Payable	33,769	5,332	0	39,101
Accrued Wages and Benefits	50,830	18,946	0	69,776
Claims Payable	0	0	11,900	11,900
Capital Lease Payable-Current	2,313	0	0	2,313
Compensated Absences Payable - Current	67,376	20,299	0	87,675
Total Current Liabilities	154,288	44,577	11,900	210,765
<i>Long Term Liabilities:</i>				
Capital Leases Payable	1,921	0	0	1,921
Compensated Absences Payable	309,077	69,092	0	378,169
Total Liabilities	465,286	113,669	11,900	590,855
Net Assets:				
Invested in Capital Assets, Net of Related Debt	61,323	169,770	0	231,093
Unrestricted	(11,611)	46,526	3,409,508	3,444,423
Total Net Assets	\$ 49,712	\$ 216,296	\$ 3,409,508	\$ 3,675,516

CITY OF LANCASTER, OHIO

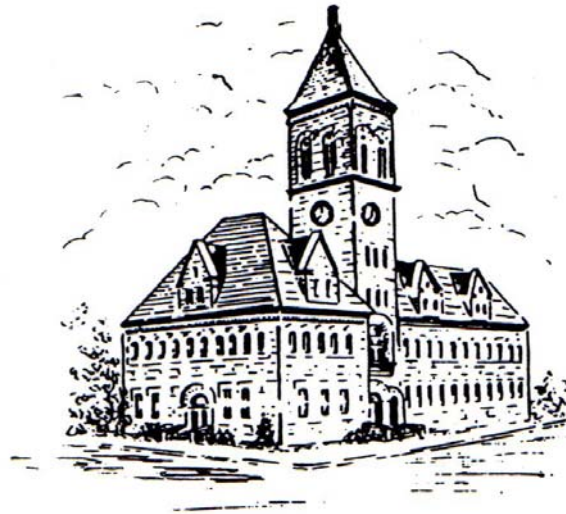
**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2007**

	Utilities Collection	Information Services	Health Insurance Management	Total
Operating Revenues:				
Charges for Services	\$ 1,807,988	\$ 619,631	\$ 5,678,518	\$ 8,106,137
Other Operating Revenue	4,892	5,760	0	10,652
Total Operating Revenues	1,812,880	625,391	5,678,518	8,116,789
Operating Expenses:				
Personal Services	1,301,147	451,760	4,810,388	6,563,295
Contractual Services	227,563	85,548	0	313,111
Materials and Supplies	133,830	61,523	0	195,353
Depreciation	23,154	25,182	0	48,336
Total Operating Expenses	1,685,694	624,013	4,810,388	7,120,095
Income Before Operating Transfers	127,186	1,378	868,130	996,694
Transfers In	0	112,750	0	112,750
Change in Net Assets	127,186	114,128	868,130	1,109,444
Net Assets Beginning of Year	(77,474)	102,168	2,541,378	2,566,072
Net Assets End of Year	\$ 49,712	\$ 216,296	\$ 3,409,508	\$ 3,675,516

CITY OF LANCASTER, OHIO

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2007**

	Utilities Collection	Information Services	Health Insurance Management	Totals
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$1,812,880	\$625,941	\$5,678,518	\$8,117,339
Cash Payments for Goods and Services	(341,176)	(153,109)	0	(494,285)
Cash Payments to and on behalf of Employees	(1,289,029)	(448,395)	(5,724,679)	(7,462,103)
Net Cash Provided (Used) by Operating Activities	182,675	24,437	(46,161)	160,951
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	0	112,750	0	112,750
Net Cash Provided by Noncapital Financing Activities	0	112,750	0	112,750
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(7,547)	(103,621)	0	(111,168)
Capital Lease Payments	(2,057)	0	0	(2,057)
Net Cash Used for Capital and Related Financing Activities	(9,604)	(103,621)	0	(113,225)
Net Increase (Decrease) in Cash and Cash Equivalents	173,071	33,566	(46,161)	160,476
Cash and Cash Equivalents at Beginning of Year	225,216	123,234	87,778	436,228
Cash and Cash Equivalents at End of Year	\$398,287	\$156,800	\$41,617	\$596,704
<u>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</u>				
Operating Income	\$127,186	\$1,378	\$868,130	\$996,694
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	23,154	25,182	0	48,336
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	0	550	0	550
(Increase) Decrease in Inventory	(2,504)	1,490	0	(1,014)
(Increase) Decrease in Prepaid Items	116	0	(679,791)	(679,675)
Increase (Decrease) in Accounts Payable	22,618	(7,523)	0	15,095
Increase (Decrease) in Accrued Wages and Benefits	(1,876)	404	0	(1,472)
Increase in Compensated Absences	13,981	2,956	0	16,937
Decrease in Claims Payable	0	0	(234,500)	(234,500)
Total Adjustments	55,489	23,059	(914,291)	(835,743)
Net Cash Provided (Used) by Operating Activities	\$182,675	\$24,437	(\$46,161)	\$160,951



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, 2007**

	Balance December 31, 2006	Additions	Deductions	Balance December 31, 2007
<u>Street Deposit Fund</u>				
Assets:				
Cash and Cash Equivalents	\$3,100	\$800	\$0	\$3,900
Total Assets	<u>\$3,100</u>	<u>\$800</u>	<u>\$0</u>	<u>\$3,900</u>
Liabilities:				
Due to Others	\$3,100	\$800	\$0	\$3,900
Total Liabilities	<u>\$3,100</u>	<u>\$800</u>	<u>\$0</u>	<u>\$3,900</u>
<u>Municipal Court Fund</u>				
Assets:				
Cash with Fiscal Agent	\$149,801	\$3,992,880	(\$3,969,095)	\$173,586
Total Assets	<u>\$149,801</u>	<u>\$3,992,880</u>	<u>(\$3,969,095)</u>	<u>\$173,586</u>
Liabilities:				
Due to Other Funds	\$4,221	\$1,608,089	(\$1,609,309)	\$3,001
Intergovernmental Payable	0	862,316	(862,316)	0
Due to Others	145,580	1,522,475	(1,497,470)	170,585
Total Liabilities	<u>\$149,801</u>	<u>\$3,992,880</u>	<u>(\$3,969,095)</u>	<u>\$173,586</u>
<u>Law Library Fund</u>				
Assets:				
Cash and Cash Equivalents	\$0	\$47,131	(\$47,131)	\$0
Due from Other Funds	4,221	3,001	(4,221)	3,001
Total Assets	<u>\$4,221</u>	<u>\$50,132</u>	<u>(\$51,352)</u>	<u>\$3,001</u>
Liabilities:				
Intergovernmental Payable	\$4,221	\$50,132	(\$51,352)	\$3,001
Total Liabilities	<u>\$4,221</u>	<u>\$50,132</u>	<u>(\$51,352)</u>	<u>\$3,001</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$152,901	\$4,040,811	(\$4,016,226)	\$177,486
Due from Other Funds	4,221	3,001	(4,221)	3,001
Total Assets	<u>\$157,122</u>	<u>\$4,043,812</u>	<u>(\$4,020,447)</u>	<u>\$180,487</u>
Liabilities:				
Due to Other Funds	\$4,221	\$1,608,089	(\$1,609,309)	\$3,001
Intergovernmental Payables	4,221	912,448	(913,668)	3,001
Due to Others	148,680	1,523,275	(1,497,470)	174,485
Total Liabilities	<u>\$157,122</u>	<u>\$4,043,812</u>	<u>(\$4,020,447)</u>	<u>\$180,487</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

CITY OF LANCASTER, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2007***

Capital Assets:

Land	\$15,815,108
Construction in Progress	4,194,271
Buildings	6,455,749
Improvements Other Than Buildings	5,834,005
Vehicles	5,788,728
Equipment	4,654,934
Infrastructure	<u>17,551,178</u>
Total Net Capital Assets	<u><u>\$60,293,973</u></u>

Net Investment in Capital Assets from:

General Fund	\$13,197,895
Special Revenue Funds	38,459,551
Proprietary Funds (Gas)	7,202
Internal Services	370,985
Donated	<u>8,258,340</u>
Total Net Investment in Capital Assets	<u><u>\$60,293,973</u></u>

CITY OF LANCASTER, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2007**

Function and Activity	Land	Construction in Progress	Buildings
<u>General Government:</u>			
Council	\$0	\$0	\$0
Mayor	0	0	0
Personnel	0	0	0
City Hall	395,083	0	772,500
Auditor	0	0	0
Income Tax	0	0	0
Treasurer	0	0	0
Safety Director	1,000	0	103,600
Engineer	0	0	0
Certified Building Inspection	0	0	0
Prosecutor	0	0	0
Court-Clerk	0	0	0
Court-Judicial	0	0	7,925
Court Electronic Surveillance	0	0	0
Information Services - Internal Service	0	0	0
Total	396,083	0	884,025
<u>Security of Persons and Property:</u>			
Police	141,962	0	2,010,264
Fire	25,600	54,201	234,473
Total	167,562	54,201	2,244,737
<u>Public Health and Welfare Services:</u>			
Public Health	0	0	0
Cemetery	14,897	0	63,430
Total	14,897	0	63,430
<u>Transportation:</u>			
Public Transit	0	0	0
Street Construction	13,498,666	4,140,070	494,411
Total	13,498,666	4,140,070	494,411
<u>Community Environment:</u>			
Community Development	0	0	0
Economic Development	0	0	0
Total	0	0	0
<u>Leisure Time Activities:</u>			
Park	1,737,900	0	2,769,146
Mumaugh	0	0	0
Total	1,737,900	0	2,769,146
Total Capital Assets	\$15,815,108	\$4,194,271	\$6,455,749

CITY OF LANCASTER, OHIO

Improvements Other Than Buildings	Vehicles	Equipment	Infrastructure	Total
\$0	\$0	\$0	\$0	\$0
0	0	4,150	0	4,150
0	0	11,924	0	11,924
2,504,292	0	130,923	0	3,802,798
0	0	68,218	0	68,218
3,630	0	57,821	0	61,451
0	0	3,404	0	3,404
17,275	13,655	54,796	2,966	193,292
0	75,584	116,613	0	192,197
0	56,509	2,196	0	58,705
10,750	0	74,460	0	85,210
2,416	0	232,884	0	235,300
55,387	0	177,860	0	241,172
0	0	14,172	0	14,172
0	39,096	290,610	41,279	370,985
<u>2,593,750</u>	<u>184,844</u>	<u>1,240,031</u>	<u>44,245</u>	<u>5,342,978</u>
128,897	618,991	891,826	0	3,791,940
692,335	2,577,265	864,260	0	4,448,134
<u>821,232</u>	<u>3,196,256</u>	<u>1,756,086</u>	<u>0</u>	<u>8,240,074</u>
0	31,191	93,483	0	124,674
87,379	93,110	103,186	0	362,002
<u>87,379</u>	<u>124,301</u>	<u>196,669</u>	<u>0</u>	<u>486,676</u>
0	660,599	6,032	0	666,631
33,026	1,187,642	798,504	17,506,933	37,659,252
<u>33,026</u>	<u>1,848,241</u>	<u>804,536</u>	<u>17,506,933</u>	<u>38,325,883</u>
0	0	54,733	0	54,733
0	0	10,476	0	10,476
0	0	65,209	0	65,209
2,292,878	435,086	589,519	0	7,824,529
5,740	0	2,884	0	8,624
<u>2,298,618</u>	<u>435,086</u>	<u>592,403</u>	<u>0</u>	<u>7,833,153</u>
<u>\$5,834,005</u>	<u>\$5,788,728</u>	<u>\$4,654,934</u>	<u>\$17,551,178</u>	<u>\$60,293,973</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, 2007***

Function and Activity	December 31, 2006	Additions	Deletions	December 31, 2007
<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	3,802,163	14,823	(14,188)	3,802,798
Auditor	55,602	12,616	0	68,218
Income Tax	55,626	5,825	0	61,451
Treasurer	3,404	0	0	3,404
Safety Director	190,326	2,966	0	193,292
Engineer	165,236	26,961	0	192,197
Certified Building Inspection	104,497	0	(45,792)	58,705
Prosecutor	85,210	0	0	85,210
Court-Clerk	228,357	6,943	0	235,300
Court-Judicial	231,605	9,567	0	241,172
Court-Electronic Surveillance	14,172	0	0	14,172
Information Services - Internal Service	285,261	85,724	0	370,985
Total	5,237,533	165,425	(59,980)	5,342,978
<u>Security of Persons and Property:</u>				
Police	3,775,609	16,331	0	3,791,940
Fire	4,145,950	302,184	0	4,448,134
Total	7,921,559	318,515	0	8,240,074
<u>Public Health and Welfare Services:</u>				
Public Health	124,674	0	0	124,674
Cemetery	474,281	0	(112,279)	362,002
Total	598,955	0	(112,279)	486,676
<u>Transportation:</u>				
Public Transit	606,094	60,537	0	666,631
Street Construction	30,498,207	7,598,700	(437,655)	37,659,252
Total	31,104,301	7,659,237	(437,655)	38,325,883
<u>Community Environment:</u>				
Community Development	54,733	0	0	54,733
Economic Development	10,476	0	0	10,476
Total	65,209	0	0	65,209
<u>Leisure Time Activities:</u>				
Park	7,696,563	127,966	0	7,824,529
Mumaugh	8,624	0	0	8,624
Total	7,705,187	127,966	0	7,833,153
Total Capital Assets	\$52,632,744	\$8,271,143	(\$609,914)	\$60,293,973

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 Five Years
(accrual basis of accounting)*

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

Source: City Auditor's Office

City of Lancaster

2007

\$25,645,197

9,988,647

4,038,840

\$39,672,684

\$33,974,969

1,051,465

30,810,822

\$65,837,256

\$59,620,166

11,040,112

34,849,662

\$105,509,940

City of Lancaster

*Changes in Net Assets
Last Five 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

2007

\$16,857,036
889,715
2,278,778
670,861
5,109,759
9,709,530
474,299
35,989,978

23,856,601
8,508,514
7,387,509
3,149,630
1,797,201
44,699,455
\$80,689,433

\$2,056,919
260,296
364,720
101,951
1,366,382
1,884,603
5,641,639
2,965,310
14,641,820

(continued)

City of Lancaster

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

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

Source: City Auditor's Office

City of Lancaster

2007

23,183,618

9,320,183

7,794,051

3,605,141

1,775,357

0

1,945,692

47,624,042

62,265,862

(21,348,158)

2,924,587

(\$18,423,571)

\$2,036,017

432,511

16,129,114

550,548

3,048,567

1,352,560

1,117,099

68,000

24,734,416

(68,000)

(68,000)

\$24,666,416

\$3,386,258

2,856,587

\$6,242,845

City of Lancaster

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

	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
General Fund				
Reserved	\$376,519	\$624,449	\$604,801	\$588,579
Unreserved	<u>4,087,592</u>	<u>3,886,758</u>	<u>4,722,994</u>	<u>4,416,149</u>
<i>Total General Fund</i>	<u>4,464,111</u>	<u>4,511,207</u>	<u>5,327,795</u>	<u>5,004,728</u>
All Other Governmental Funds				
Reserved	1,245,305	2,116,559	1,491,819	1,875,511
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	1,211,728	1,309,074	1,895,862	1,987,417
Capital Projects Funds	<u>46,836</u>	<u>309,162</u>	<u>1,490,335</u>	<u>(300,658)</u>
Total All Other Governmental Funds	<u>2,503,869</u>	<u>3,734,795</u>	<u>4,878,016</u>	<u>3,562,270</u>
<i>Total Governmental Funds</i>	<u><u>\$6,967,980</u></u>	<u><u>\$8,246,002</u></u>	<u><u>\$10,205,811</u></u>	<u><u>\$8,566,998</u></u>

Source: City Auditor's Office

NOTE: Years 1998-2002 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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
\$426,004	\$315,859	\$336,003	\$332,621	\$447,451	\$290,959
<u>3,856,325</u>	<u>3,290,763</u>	<u>3,940,089</u>	<u>3,724,907</u>	<u>4,042,869</u>	<u>3,759,946</u>
<u>4,282,329</u>	<u>3,606,622</u>	<u>4,276,092</u>	<u>4,057,528</u>	<u>4,490,320</u>	<u>4,050,905</u>
2,499,441	2,322,508	2,472,534	2,571,986	2,776,859	2,829,102
2,307,521	2,333,595	2,581,905	3,084,591	3,035,341	3,580,847
<u>(588,472)</u>	<u>257,216</u>	<u>(17,171)</u>	<u>(306,634)</u>	<u>(1,543,724)</u>	<u>(4,231,667)</u>
<u>4,218,490</u>	<u>4,913,319</u>	<u>5,037,268</u>	<u>5,349,943</u>	<u>4,268,476</u>	<u>2,178,282</u>
<u>\$8,500,819</u>	<u>\$8,519,941</u>	<u>\$9,313,360</u>	<u>\$9,407,471</u>	<u>\$8,758,796</u>	<u>\$6,229,187</u>

City of Lancaster

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

	1998	1999	2000	2001
Revenues:				
Taxes	\$12,390,842	\$13,027,298	\$13,380,081	\$13,886,573
Intergovernmental Revenues	5,914,778	6,697,900	7,294,436	6,606,745
Charges for Services	1,665,352	2,042,576	2,205,328	2,109,084
Licenses and Permits	132,198	22,110	31,392	32,443
Investment Earnings	960,524	1,108,721	1,386,365	980,453
Special Assessments	0	0	0	215,585
Fines and Forfeitures	900,331	937,945	1,003,554	1,084,988
All Other Revenue	1,420,348	748,335	630,795	275,525
Total Revenue	<u>23,384,373</u>	<u>24,584,885</u>	<u>25,931,951</u>	<u>25,191,396</u>
Expenditures:				
Current:				
Security of Persons and Property	10,291,943	10,823,478	11,299,152	11,600,718
Public Health and Welfare Services	1,368,687	1,545,281	1,674,330	1,655,940
Leisure Time Activities	1,252,835	1,277,405	1,393,910	1,852,663
Community Environment	1,054,629	2,540,844	811,135	605,689
Transportation	2,337,205	3,205,369	3,277,651	3,273,454
General Government	3,783,666	4,317,811	4,929,982	5,113,651
Capital Outlay	361,731	2,507,284	3,208,706	3,509,832
Debt Service:				
Principal Retirement	0	90,000	163,998	93,043
Interest and Fiscal Charges	99,807	130,611	228,382	236,478
Total Expenditures	<u>20,550,503</u>	<u>26,438,083</u>	<u>26,987,246</u>	<u>27,941,468</u>
Excess (Deficiency) of Revenues Over Expenditures	2,833,870	(1,853,198)	(1,055,295)	(2,750,072)

City of Lancaster

2002	2003	2004	2005	2006	2007
\$14,504,954	\$15,317,624	\$16,088,874	\$16,421,231	\$17,981,983	\$18,767,446
6,659,241	6,010,243	6,367,123	6,443,731	6,933,762	8,513,743
2,141,310	2,353,249	3,586,258	4,132,594	4,232,866	4,710,409
18,653	25,167	11,340	22,049	24,279	26,759
458,438	376,875	347,591	598,759	1,151,742	1,372,732
37,480	41,006	36,873	144,634	136,327	140,058
1,213,778	1,309,508	1,175,825	1,471,477	1,522,814	1,535,541
325,514	217,954	516,825	573,346	884,284	1,168,788
<u>25,359,368</u>	<u>25,651,626</u>	<u>28,130,709</u>	<u>29,807,821</u>	<u>32,868,057</u>	<u>36,235,476</u>
12,690,508	13,039,847	13,477,234	14,402,149	15,901,921	16,710,584
1,140,416	824,672	845,713	854,324	921,993	893,308
1,474,007	1,598,290	1,463,661	1,632,501	1,959,713	2,194,345
957,514	818,537	713,786	787,384	1,204,194	683,621
3,061,935	3,603,691	4,001,483	3,672,615	3,805,510	4,094,796
5,246,602	5,791,625	6,121,410	6,929,816	6,946,297	7,784,196
1,088,656	2,461,374	899,156	1,151,747	2,221,974	7,193,369
104,043	535,629	4,168,086	4,254,086	259,586	265,086
235,184	172,778	230,382	349,665	298,633	461,330
<u>25,998,865</u>	<u>28,846,443</u>	<u>31,920,911</u>	<u>34,034,287</u>	<u>33,519,821</u>	<u>40,280,635</u>
(639,497)	(3,194,817)	(3,790,202)	(4,226,466)	(651,764)	(4,045,159)

(Continued)

City of Lancaster

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

	1998	1999	2000	2001
Other Financing Sources (Uses):				
State Infrastructure Bank Loan	0	0	0	0
Other Financing Sources - Capital Leases	228,230	1,125,905	373,373	301,883
Housing and Urban Development Loan	0	1,660,000	0	0
Ohio Public Works Commission Loan	0	0	104,431	17,290
Ohio Water Development Authority Loans	0	0	2,000,000	0
Special Assessment Bonds	0	0	0	367,000
General Obligation Notes Issued	0	0	0	0
General Obligation Bonds Issued	0	0	0	0
Transfers In	2,987,179	3,324,327	3,458,028	3,290,548
Transfers Out	(2,577,464)	(2,996,727)	(2,927,552)	(3,281,247)
Total Other Financing Sources (Uses)	<u>637,945</u>	<u>3,113,505</u>	<u>3,008,280</u>	<u>695,474</u>
Net Change in Fund Balance	<u>\$3,471,815</u>	<u>\$1,260,307</u>	<u>\$1,952,985</u>	<u>(\$2,054,598)</u>
Debt Service as a Percentage of Noncapital Expenditures	0.50%	0.91%	1.55%	1.31%

Source: City Auditor's Office

NOTE: Years 1998-2002 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

2002	2003	2004	2005	2006	2007
0	0	0	0	0	1,155,949
127,540	0	465,049	142,381	10,079	440,386
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
425,000	2,260,000	3,960,000	0	0	0
0	0	0	4,150,000	0	0
2,715,595	1,555,237	1,846,362	1,732,309	1,986,619	2,479,004
(2,715,595)	(1,555,237)	(1,693,114)	(1,732,309)	(1,986,619)	(2,523,754)
<u>552,540</u>	<u>2,260,000</u>	<u>4,578,297</u>	<u>4,292,381</u>	<u>10,079</u>	<u>1,551,585</u>
<u>(\$86,957)</u>	<u>(\$934,817)</u>	<u>\$788,095</u>	<u>\$65,915</u>	<u>(\$641,685)</u>	<u>(\$2,493,574)</u>

1.37%

2.90%

17.34%

17.14%

1.97%

2.12%

City of Lancaster

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

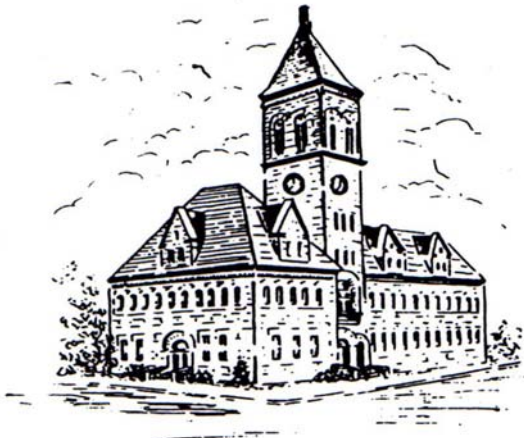
Tax year	1998	1999	2000	2001
Income Tax Rate	1.60%	1.60%	1.60%	1.60%
Estimated Personal Income	\$992,729,554	\$1,037,142,715	\$992,489,480	\$1,019,085,600
Total Tax Collected	\$3,301,804	\$11,203,855	\$11,688,041	\$11,659,246
Income Tax Receipts				
Withholding	855,111	8,651,322	9,097,488	9,385,830
Percentage	25.90%	77.22%	77.84%	80.50%
Corporate	1,564,906	1,522,715	1,443,871	1,234,068
Percentage	47.40%	13.59%	12.35%	10.58%
Individuals	881,787	1,029,818	1,146,682	1,039,348
Percentage	26.71%	9.19%	9.81%	8.91%

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

2002	2003	2004	2005	2006	2007
1.60%	1.60%	1.60%	1.75%	1.75%	1.75%
\$1,038,003,560	\$1,061,675,160	\$1,105,333,540	\$1,104,896,980	\$1,147,934,520	\$1,147,776,750
\$13,520,973	\$13,170,482	\$13,323,746	\$14,186,430	\$15,550,666	\$16,264,316
10,980,427	10,374,895	10,318,818	11,136,624	12,067,107	12,695,987
81.21%	78.77%	77.45%	78.50%	77.60%	78.06%
1,462,968	1,280,896	1,281,868	1,262,432	1,515,792	1,514,077
10.82%	9.73%	9.62%	8.90%	9.75%	9.31%
1,077,578	1,514,691	1,723,060	1,787,374	1,967,767	2,054,252
7.97%	11.50%	12.93%	12.60%	12.65%	12.63%



City of Lancaster

Income Tax Collections Current Year and Eight Years Ago

Calendar Year 2007

<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%	\$4,571,591	28.11%
All Others	10,676	99.91%	11,692,725	71.89%
Total	10,686	100.00%	\$16,264,316	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

Information is not available in this format prior to 1999.

City of Lancaster

Ratio of Outstanding Debt By Type Last Ten Years

	1998	1999	2000	2001
Governmental Activities ⁽¹⁾				
Housing and Urban Development Loan Payable	\$0	\$1,570,000	\$1,480,000	\$1,390,000
Ohio Public Works Commission Loan Payable	0	0	104,431	118,678
Ohio Water Development Authority Loans Payable	0	0	2,000,000	2,000,000
Special Assessment Bonds Payable	0	0	0	367,000
Long Term Notes Payable	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
State Infrastructure Bank Loan Payable	0	0	0	0
Capital Leases	206,617	1,172,624	1,197,894	1,191,657
Business-type Activities ⁽¹⁾				
Ohio Water Development Authority Loans Payable	\$28,216,373	\$27,520,453	\$26,281,807	\$34,567,215
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	0	59,099	39,252
Total Primary Government	<u>\$28,422,990</u>	<u>\$30,263,077</u>	<u>\$31,123,231</u>	<u>\$39,673,802</u>
Population ⁽²⁾				
City of Lancaster	38,254	38,983	35,335	35,600
Outstanding Debt Per Capita	\$743	\$776	\$881	\$1,114
Income ⁽³⁾				
Personal (in thousands)	992,730	1,037,143	992,489	1,019,086
Percentage of Personal Income	2.86%	2.92%	3.14%	3.89%

Sources:

(1) Source: City Auditor's Office

(2) US Bureau of Census, Population Division, 2007 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

2002	2003	2004	2005	2006	2007
\$1,300,000	\$1,210,000	\$1,120,000	\$1,030,000	\$940,000	\$850,000
115,635	106,506	100,420	94,334	88,248	82,162
2,000,000	2,000,000	0	0	0	0
356,000	344,500	332,500	319,500	306,000	292,000
525,000	2,260,000	3,960,000	0	0	0
0	0	0	3,965,000	3,815,000	3,660,000
0	0	0	0	0	1,155,949
1,041,334	826,207	929,486	849,076	617,050	859,143
\$46,932,034	\$47,881,940	\$46,849,409	\$44,400,803	\$41,823,289	\$39,171,688
0	2,400,000	0	0	0	0
0	0	13,506,256	13,168,005	12,824,754	12,476,503
0	2,131,343	2,057,125	1,945,873	1,865,362	1,809,712
41,256	15,537	28,679	35,004	26,714	425,521
<u>\$52,311,259</u>	<u>\$59,176,033</u>	<u>\$68,883,875</u>	<u>\$65,807,595</u>	<u>\$62,306,417</u>	<u>\$60,782,678</u>
35,860	36,120	36,380	36,380	36,380	36,375
\$1,459	\$1,638	\$1,893	\$1,809	\$1,713	\$1,671
1,038,004	1,061,675	1,105,334	1,104,897	1,147,935	1,147,777
5.04%	5.57%	6.23%	5.96%	5.43%	5.30%

City of Lancaster

Ratios of General Bonded Debt Outstanding Last Three Years

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

Source:

- (1) U.S. Bureau of Census of Population, 2007 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, 2007*

<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)	\$5,897,600	100.00%	\$5,897,600
Overlapping:				
Lancaster City School District	(2)	0	80.86%	0
Fairfield County	(2)	12,353,872	23.57%	<u>2,911,808</u>
			Subtotal	<u>2,911,808</u>
			Total	<u><u>\$8,809,408</u></u>

Source:

(1) City Auditor's Office

(2) Fairfield County Auditor

City of Lancaster

Debt Limitations Last Ten Years

Collection Year	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
<u>Total Debt</u>				
Net Assessed Valuation	\$506,815,749	\$555,038,081	\$567,571,771	\$580,459,833
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	53,215,654	58,278,999	59,595,036	60,948,282
City Debt Outstanding (2)	1,801,333	2,200,000	2,300,000	1,875,000
Less: Applicable Debt Service Fund Amounts	(7,919)	(7,919)	(8,575)	(8,575)
Net Indebtedness Subject to Limitation	<u>1,793,414</u>	<u>2,192,081</u>	<u>2,291,425</u>	<u>1,866,425</u>
Overall Legal Debt Margin	<u><u>\$51,422,240</u></u>	<u><u>\$56,086,918</u></u>	<u><u>\$57,303,611</u></u>	<u><u>\$59,081,857</u></u>
<u>Unvoted Debt</u>				
Net Assessed Valuation	\$506,815,749	\$555,038,081	\$567,571,771	\$580,459,833
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	27,874,866	30,527,094	31,216,447	31,925,291
City Debt Outstanding (2)	1,801,333	2,200,000	2,300,000	1,875,000
Less: Applicable Debt Service Fund Amounts	(7,919)	(7,919)	(8,575)	(8,575)
Net Indebtedness Subject to Limitation	<u>1,793,414</u>	<u>2,192,081</u>	<u>2,291,425</u>	<u>1,866,425</u>
Overall Legal Debt Margin	<u><u>\$26,081,452</u></u>	<u><u>\$28,335,013</u></u>	<u><u>\$28,925,022</u></u>	<u><u>\$30,058,866</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

2002	2003	2004	2005	2006	2007
\$661,031,641	\$669,449,822	\$672,465,949	\$727,046,497	\$708,753,525	\$697,186,961
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
69,408,322	70,292,231	70,608,925	76,339,882	74,419,120	73,204,631
1,625,000	3,158,000	4,710,000	5,116,500	6,026,600	5,897,600
(12,532)	(59,559)	(53,473)	(97,729)	(97,729)	(97,729)
1,612,468	3,098,441	4,656,527	5,018,771	5,928,871	5,799,871
\$67,795,854	\$67,193,790	\$65,952,398	\$71,321,111	\$68,490,249	\$67,404,760

\$661,031,641	\$669,449,822	\$672,465,949	\$727,046,497	\$708,753,525	\$697,186,961
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
36,356,740	36,819,740	36,985,627	39,987,557	38,981,444	38,345,283
1,625,000	3,158,000	4,710,000	5,116,500	6,026,600	5,897,600
(12,532)	(59,559)	(53,473)	(97,729)	(97,729)	(97,729)
1,612,468	3,098,441	4,656,527	5,018,771	5,928,871	5,799,871
\$34,744,272	\$33,721,299	\$32,329,100	\$34,968,786	\$33,052,573	\$32,545,412

City of Lancaster

*Pledged Revenue Coverage
Last Seven Years*

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

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

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

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

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

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

Source: City Auditor's Office

City of Lancaster

2005	2006	2007
\$8,388,041	\$8,613,246	\$9,320,183
4,924,256	5,348,084	5,436,732
3,463,785	3,265,162	3,883,451
565,969	561,869	562,256
6.12	5.81	6.91
\$7,006,365	\$7,314,131	\$7,794,051
3,510,807	3,925,494	3,991,924
3,495,558	3,388,637	3,802,127
349,141	351,641	348,716
10.01	9.64	10.90
\$39,212	\$35,998	\$38,107
13,000	13,500	14,000
16,625	15,975	15,638
1.32	1.22	1.29

City of Lancaster

Demographic and Economic Statistics Last Ten Years

Calendar Year	1998	1999	2000	2001	2002
Population					
City of Lancaster (2)	38,254	38,983	35,335	35,600	35,860
Fairfield County (1)	103,461	103,461	122,759	122,759	122,759
Income (3)(a)					
Total Personal (in thousands)	992,730	1,037,143	992,489	1,019,086	1,038,004
Per Capita	25,951	26,605	28,088	28,626	28,946
Unemployment Rate (4)					
Federal	4.9%	4.5%	4.2%	3.8%	4.8%
State	4.6%	4.3%	4.3%	3.7%	4.3%
Fairfield County	3.0%	2.9%	2.6%	2.8%	4.5%
Civilian Work Force Estimates (4)					
State	5,678,000	5,749,000	5,900,400	5,857,000	5,828,000
Fairfield County	63,500	65,800	67,900	69,800	67,800

Sources:

- (1) US Bureau of Census of Population
- (2) Lancaster Community Development Department estimates
 - (a) Federal 2000 Census
- (3) US Department of Commerce, Bureau of Economic Analysis information is only available through 2006 for the presentation of 2007 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

2003	2004	2005	2006	2007
36,120	36,380	36,380	36,380	36,375
122,759	122,759	138,423	139,637	142,557
1,061,675	1,105,334	1,104,897	1,147,935	1,147,777
29,393	30,383	30,371	31,554	31,554
5.8%	6.0%	5.5%	5.0%	4.6%
5.7%	6.1%	6.0%	5.9%	5.6%
4.7%	5.3%	5.3%	4.8%	5.0%
5,915,000	5,875,300	5,900,400	5,934,000	5,976,500
68,600	71,700	72,200	74,200	76,300



City of Lancaster

Principal Employers Current Year and Nine Years Ago

Employer	Nature of Business	2007		
		Number of Employees	Rank	Percentage of Total Employment
Fairfield Medical Center	Medical	2,100	1	11.67%
Anchor Hocking	Glass Manufacturer	1,000	2	5.56%
Fairfield County	Government	825	3	4.58%
Lancaster City Schools	Education	601	4	3.34%
City of Lancaster	Government	477	5	2.65%
Diamond Power	Metal Fabrication	450	6	2.50%
Ralston Foods	Cereal	385	7	2.14%
Glasfloss	Fiberglass Manufacturer	300	8	1.67%
Kroger Company	Grocer	290	9	1.61%
Lncaster Bingo	Entertainment	280	10	1.56%
Total		6,708		37.27%
Total Employment within the City		18,000		

Employer	Nature of Business	1998		
		Number of Employees	Rank	Percentage of Total Employment
Fairfield Medical Center	Medical	1,750	1	8.84%
Anchor Hocking	Glass Manufacturer	1,400	2	7.07%
Lancaster City Schools	Education	756	3	3.82%
Fairfield County	Government	671	4	3.39%
City of Lancaster	Government	454	5	2.29%
Diamond Power	Metal Fabrication	412	6	2.08%
Ralston Foods	Cereal	385	7	1.94%
Baily Corporation	Manufacturer	340	8	1.72%
Lancaster Glass	Glass Manufacturer	300	9	1.52%
Drew Shoe	Shoe Manufacturer	202	10	1.02%
Total		6,670		33.69%
Total Employment within the City		19,800		

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

	1998	1999	2000	2001	2002	2003
Governmental Activities						
General Government						
Auditor	5.00	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	7.00	8.00	9.00	9.00	9.00
City Council	11.00	11.00	11.00	11.00	11.00	11.00
Court	19.00	21.00	25.00	27.00	25.00	27.00
Administration	4.00	4.00	5.00	5.00	5.00	4.00
Engineering	9.00	10.00	10.00	10.00	10.00	12.00
Certified Building	0.00	0.00	0.00	0.00	0.00	0.00
Income Tax	5.00	6.00	6.00	6.00	6.00	6.00
Maintenance	1.00	2.00	2.00	2.00	2.00	2.00
Electric	8.00	8.00	9.00	9.00	9.00	9.00
Information Systems	0.00	0.00	0.00	1.00	2.00	2.00
Security of Persons and Property						
Police	83.00	84.00	83.00	86.00	88.00	84.00
Fire	80.00	81.00	83.00	82.00	83.00	79.00
Public Health and Welfare						
Cemetery	9.00	9.00	8.00	8.00	10.00	9.00
Transportation						
Street	27.00	26.00	28.00	27.00	28.00	26.00
Leisure Time Activities						
Parks	27.00	24.00	26.00	29.00	26.00	25.00
Community Environment						
Community Development	4.00	4.00	4.00	4.00	3.00	3.00
Public Transit	0.00	0.00	0.00	0.00	0.00	2.00
Civil Service	1.00	1.00	1.00	1.00	2.00	3.00
Business-Type Activities						
Utilities						
Gas	31.00	29.00	29.00	27.00	27.00	26.00
Water	37.00	37.00	40.00	41.00	48.00	47.00
Water Pollution	23.00	22.00	22.00	21.00	22.00	24.00
Sanitation	26.00	31.00	32.00	32.00	27.00	26.00
Storm Water	0.00	0.00	0.00	0.00	0.00	2.00
Utilities Collection	19.00	18.00	18.00	18.00	19.00	19.00
<i>Total Employees</i>	<u>454.00</u>	<u>465.00</u>	<u>478.00</u>	<u>483.00</u>	<u>470.00</u>	<u>465.00</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

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
6.00	6.00	6.00	6.00
1.00	1.00	1.00	1.00
9.00	9.00	9.00	9.00
11.00	11.00	11.00	11.00
25.00	30.00	32.00	33.00
4.00	4.00	4.00	4.00
12.00	11.00	8.00	8.00
3.00	4.00	6.00	6.00
6.00	6.00	5.00	5.00
2.00	2.00	2.00	2.00
0.00	0.00	0.00	0.00
4.00	4.00	6.00	6.00
84.00	84.00	83.00	84.00
79.00	88.00	94.00	94.00
1.00	1.00	1.00	1.00
9.00	6.00	5.00	5.00
29.00	31.00	29.00	29.00
25.00	25.00	25.00	25.00
3.00	3.00	3.00	3.00
1.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00
25.00	24.00	24.00	22.00
43.00	44.00	43.00	44.00
23.00	23.00	23.00	22.00
26.00	24.00	24.00	23.00
3.00	3.00	3.00	3.00
20.00	21.00	21.00	21.00
<u>455.00</u>	<u>467.00</u>	<u>470.00</u>	<u>469.00</u>

City of Lancaster

Operating Indicators by Function Last Ten Years

	1998	1999	2000	2001
Governmental Activities				
General Government				
Court				
Number of Traffic Cases	13,631	13,164	13,898	16,269
Number of Open Cases	559	576	553	673
Licenses and Permits				
Number of Building Permits	179	197	225	179
Number of Building Inspections	1,880	2,560	2,400	2,560
Security of Persons and Property				
Police				
Number of Calls Received	N/A	N/A	N/A	N/A
Number of Traffic Citations	4,580	3,315	3,470	3,693
Number of Arrests	3,012	3,169	3,023	3,372
Parking Tickets Written	1,240	831	1,330	1,577
Fire				
Number of Fire Calls	6,010	5,982	6,100	6,545
Number of EMS Runs	4,290	4,231	4,430	4,739
Number of Inspections	2,010	2,101	2,180	2,269
Leisure Time Activities				
Parks				
Number of Programs Offered	13	13	13	13
Number of Pool Passes Issued	34,820	34,382	32,966	32,122
Business-Type Activities				
Water				
Number of Service Connections	14,018	14,064	13,718	14,275
Daily Average Consumption (thousands of gallons)	5M	5M	5M	5.1M
Peak Daily Consumption (thousands of gallons) (1)	8.5M	8.5M	8.5M	16.5M
Water Pollution				
Number of Service Connections	13,691	13,736	13,707	13,800
Maximum Daily Capacity	12.5M	12.5M	12.5M	12.5M
Daily Average Sewage Treatment (thousands of gallons)	6.5M	6.5M	6.0M	6.1M
Sanitation				
Number of Customers	13,100	13,100	13,800	14,200
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

2002	2003	2004	2005	2006	2007
17,213	13,510	11,378	12,021	11,285	11,700
1,026	560	603	1,310	1,282	1,437
169	161	161	824	795	973
2,760	2,820	3,630	4,921	4,075	3,672
54,555	56,440	46,923	56,486	56,311	50,565
4,242	4,685	4,735	4,121	3,671	3,828
3,715	4,031	4,333	3,918	3,863	2,276
2,928	2,770	2,162	1,744	1,856	1,176
6,782	6,952	7,277	7,040	7,094	7,511
5,029	5,197	5,526	5,407	5,508	5,830
2,487	2,865	4,208	2,783	2,527	2,610
13	13	13	15	16	21
17,108	15,236	18,186	22,338	19,071	26,321
14,275	14,741	14,240	14,240	15,110	15,185
5.1M	5.1M	5.1M	4.5M	4.1M	4.2M
16.5M	8.5M	8.5M	8.5M	16.5M	8.6M
13,885	13,885	13,707	13,707	14,794	14,855
12.5M	6M	5.8M	5.8M	6.82M	7.56M
7M	12.5M	12.5M	12.5M	12.5M	12.5M
14,400	14,600	15,000	15,185	15,185	14,200
0	0	13,898	13,989	14,291	14,356

City of Lancaster

Capital Asset Statistics by Function Last Ten Years

	1998	1999	2000	2001
Governmental Activities				
General Government				
Public Land and Buildings				
Land (square miles)	17.757	17.777	17.880	17.922
Buildings	34	34	34	35
Security of Persons and Property				
Police				
Stations	1	1	1	1
Vehicles	12	12	12	13
Fire				
Stations	3	3	3	3
Vehicles	19	19	21	21
Public Health & Welfare				
Cemetery				
Land (acres)	150	150	150	150
Transportation				
Street				
Streets (lane miles)	134	134	134	141
Street Lights	2,085	2,085	2,085	2,085
Traffic Signals	88	88	88	88
Leisure Time Activities				
Parks				
Land (acres)	594	594	657	657
Buildings	18	18	18	18
Parks	24	24	25	25
Playgrounds	12	12	12	12
Swimming Pools	3	3	2	2
Tennis Courts	15	15	12	12
Baseball/Softball Diamonds	26	26	26	26
Soccer Fields	8	8	8	8

City of Lancaster

2002	2003	2004	2005	2006	2007
17,954	18,047	18,047	18,360	18,505	18,590
35	36	36	36	36	36
1	1	1	1	1	1
13	16	17	17	17	16
3	3	3	3	3	3
21	20	20	21	22	22
150	150	150	150	150	150
141	144	144	160	160	185
2,085	2,355	2,355	2,360	2,360	2,360
88	92	92	92	92	92
657	701	701	720	720	720
21	21	21	21	21	21
25	26	26	27	27	27
12	12	12	12	12	12
2	2	2	2	2	2
12	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*

	1998	1999	2000	2001
Business-Type Activities				
Utilities				
Water				
Waterlines (Miles)	150	150	153	161
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	7	8	8	7
Sanitation				
Packers	8	8	8	8
Storm Water				
Storm Sewers (Miles)	0	0	0	0

Source: City Auditor's Office

City of Lancaster

<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
162	162	162	162	170	171
1	1	2	2	2	2
1,400	1,425	1,425	1,425	1,600	1,670
8.5M	8.5M	16.5M	16.5M	16.5M	16.5M
170	170	170	170	170	185
7	8	9	9	9	9
8	9	9	9	9	9
0	0	58	60	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 12, 2008**