



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

CITY OF LANCASTER
FAIRFIELD COUNTY

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**CITY OF LANCASTER
FAIRFIELD COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2001**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Community Development Block Grant Entitlement Program:			
CDBG 1993	N/A	14.218	\$3,741
CDBG 1994			844
CDBG 1995			8,347
CDBG 1996			11,485
CDBG 1997			18,377
CDBG 1998			21,909
CDBG 1999			119,066
CDBG 2000			527,541
CDBG 2001			1,803
Total CDBG			<u>713,113</u>
Home Improvement Partnerships Program (Home)	N/A	14.239	<u>99,640</u>
Total U.S. Department of Housing and Urban Development			<u>812,753</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Violence Against Women Formula Grant	N/A	16.588	35,276
Local Law Enforcement Block Grant	N/A	16.592	41,922
Bryn Family Violence Grant	N/A	16.579	<u>45,892</u>
Total U.S. Department of Justice			123,090
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation</i>			
Public Transportation for NonUrbanized Areas	RPT0023-020-012	20.509	<u>302,456</u>
Total U.S. Department of Transportation			302,456
<u>U.S. DEPARTMENT OF EDUCATION</u>			
<i>Passed Through Ohio Department of Education</i>			
Special Education-Grant for Infants and Families with Disabilities	198-G	84.181	<u>67,450</u>
Total U.S. Department of Education			67,450
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
<i>Passed Through Ohio Department of Health</i>			
Title X Family Planning	N/A	93.217	<u>40,415</u>
Total U.S. Department of Health and Human Services			40,415
Total Federal Awards Expenditures			<u><u>\$1,346,164</u></u>

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

**CITY OF LANCASTER
FAIRFIELD COUNTY**

FISCAL YEAR ENDED DECEMBER 31, 2001

NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B— SUBRECIPIENTS

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

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$50,790

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

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 mortgage on the property. At December 31, 2001, the gross amount of loans outstanding under the Community Development Block Grant (CDBG) program was \$367,188. At December 31, 2001, the gross amount of loans outstanding under the Home Improvement Partnerships Program was \$621,868.

During 1998, the City was granted a Section 108 loan to help with the revitalization of the downtown district. The City received the loan of \$1,660,000 during 2000, which is payable from future CDBG funds. The balance of the loan at December 31, 2001 was \$1,390,000.

NOTE D - MATCHING REQUIREMENTS

Certain federal programs require that 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.



STATE OF OHIO
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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

City Council
City of Lancaster
Fairfield County
104 East Main Street
Lancaster, OH 43130

We have audited the general purpose financial statements of the City of Lancaster, Fairfield County, Ohio (the City) as of and for the year ended December 31, 2001, and have issued our report thereon dated May 31, 2002, wherein we noted the City adopted *Governmental Accounting Standards Board Statements 33 and 36*. 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.

Compliance

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated May 31, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings as item 2001-20623-001.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is stylized with a large, looping initial "J" and a long, sweeping underline.

JIM PETRO
Auditor of State

May 31, 2002



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133 AND SCHEDULE
OF FEDERAL AWARDS EXPENDITURES**

City Council
City of Lancaster
Fairfield County
104 East Main Street
Lancaster, OH 43130

Compliance

We have audited the compliance of the City of Lancaster, Fairfield County, Ohio, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2001. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City'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 the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2001.

Internal Control Over Compliance

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

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

Schedule of Federal Awards Expenditures

We have audited the general purpose financial statements of the City as of and for the year ended December 31, 2001, and have issued our report thereon dated May 31, 2002, wherein we noted the City adopted *Governmental Accounting Standards Board Statements 33 and 36*. Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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



JIM PETRO
Auditor of State

May 31, 2002

**CITY OF LANCASTER
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant - CFDA #14.218 Non-Urbanized Formula Funding Capital and Operating Assistance Grants - CFDA #20.509
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**CITY OF LANCASTER
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2001
(Continued)**

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

Finding Number	2001-20623-001
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The City has delegated employees' health insurance claims processing, which is a significant accounting function, to a third-party administrator, EV Benefits. The City has not established procedures to determine whether the service organization has sufficient controls in place and operating effectively to reduce the risk that health insurance claims have not been completely and accurately processed in accordance with the health insurance contract.

We recommend the City implement procedures to assure the completeness and accuracy (including eligibility and allowability) of health insurance claims processed by its third-party administrator. Statement on Auditing Standards (SAS) No. 70 as amended, prescribes standards for reporting on the processing (i.e. control design and operation) of transactions by service organizations. An unqualified Tier II "Report on Policies and Procedures Placed in Operation and Tests of Operating Effectiveness" in accordance with SAS No. 70 should provide the City with an appropriate level of assurance that health insurance claims are being processed in conformance with the contract.

We recommend the City specify in their contract with EV Benefits that an annual Tier II SAS 70 audit report be performed. The City should be provided a copy of the SAS 70 report timely and should review the report's content. A SAS 70 audit report should be conducted in accordance with American Institute of Certified Public Accountants' (AICPA) standards by a firm registered and considered in "good standing" with the Accountancy Board of the respective State. If the third-party administrator refuses to provide you with a Tier II SAS 70 report, we recommend you only contract with a third-party administrator that will provide such a report.

In addition, the City should establish procedures to monitor information processed by EV Benefits. The City should review monthly claims reports to ensure claims paid were for valid employees of the City.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

THE CITY OF LANCASTER, OHIO

FAIRFIELD COUNTY



COMPREHENSIVE
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2001

THE CITY OF LANCASTER, OHIO

FAIRFIELD COUNTY

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2001

Prepared by:
Office of the Auditor

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CITY OF LANCASTER, OHIO FAIRFIELD COUNTY

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INTRODUCTORY SECTION



City of Lancaster, Ohio

Mary F. Green, Auditor

104 East Main Street
Lancaster, Ohio 43130-3726

Phone (740) 687-6611
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June 12, 2002

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 fiscal year ended December 31, 2001.

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.

The Report

The CAFR is divided into three sections as follows:

1. The **Introductory Section** contains this letter of transmittal which addresses the organization, accomplishments and operational structure of the City, a list of principal officials, and an organizational chart of the City;
2. The **Financial Section** begins with the Auditor's Report and includes the general purpose financial statements (GPFS) which provide an overview of the City's financial position and operating results and the combining financial statements of the individual funds and account groups which furnish detailed information relative to the general purpose financial statements;
3. The **Statistical Section** presents social and economic data, financial trend information, and demonstrates the fiscal capacity of the City.

This CAFR was prepared in accordance with generally accepted accounting principles established by statements of the Governmental Accounting Standards Board (GASB) and other authoritative pronouncements.

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.

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, and Community Corrections Board.

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.

ECONOMIC CONDITION AND OUTLOOK

Ground was broken on the first phase of construction for the U.S. Route 33 Lancaster Bypass. This highway will carry through traffic on U.S. Route 33 around congested Memorial Drive in the City. It will be an “interstate look-alike” highway with a divided four-lane cross-section in a limited-access right-of-way. This freeway will have full interchanges at both ends, and at U.S. Route 22 and State Route 188; a partial interchange will be constructed at Coonpath Road. The removal of through U.S. 33 traffic from Memorial Drive should relieve congestion on that street. This should attract consumers to shop at the numerous businesses along this highly developed commercial corridor.

Road improvements associated with the Lancaster Bypass will also enhance access to an industrial area of the City. Work on the interchange at SR 188 will result in the realignment of Delmont Road with that of a new stub street running north from SR 188 into the Rock Mill Corporate Park property. These improvements proximate to Rock Mill Corporate Park should enhance the accessibility to the City’s far-west side industrial park, and thus, spur interest for businesses to locate there. The City has aided the park’s developer, the non-profit Lancaster Area Community Improvement Corporation (CIC) in developing the park since Anchor Hocking donated the park’s land to CIC. CIC has worked with City leaders to attract new businesses and jobs to the park. The Economic Development Department has reported greater interest in the Rock Mill properties since construction of the Bypass began.

The City has begun the marketing of excess land it owns at the Lancaster Municipal Gas’ (LMG) Operations Building on Camp Ground Road. The City acquired 35 acres from the Newell Corporation’s Anchor Hocking Distribution Center property adjoining the Rock Mill Corporate Park to relocate LMG operations from its former East Main Street site. LMG moved into its new operations building on this site in 2001. However, their needs only use a small part of the parcel. A sketch plat submitted before the end of the year shows the remaining property being subdivided into small lots to accommodate small businesses looking to erect small office/warehouse buildings. Business owners have commented that there is a lack of available space for businesses needing these small office/warehouse combination facilities in the City. This development should fulfill this need in the City’s overall economic development package.

Growth in Fairfield County’s population has spurred an increase in services the county government provides. In addition, the County Engineer’s agreement with the Fairfield Agricultural Society to use the Fairfield County Fairgrounds is expiring, and the County Road Department needs a new location. To provide needed space for the county government’s expanding needs, the Fairfield County Commissioners were active in relocating offices in the City. The County has consolidated the Job and Family Services operations in the former AEP building at West Main and Memorial Drive. In addition, the Fairfield County Commissioners acquired the former Anchor Hocking Engineering Center, also known as the Gloryland Nazarene Church site, from the Church of the Nazarene. The acres will be developed into a

government office campus, named the Liberty Center to commemorate the September 11, 2001 tragedy. The County will consolidate all its offices and the Road Department onto one lot here. Construction drawings for the new facilities were being developed at year's end. In addition, architectural plans for a four-county joint juvenile detention facility to be built on the campus were being prepared at year's end. Eventually, offices for the Fairfield County Sheriff's office and a new county jail are planned to relocate to the campus. The County Sanitary Engineer and the County Board of Elections will also relocate to the campus.

City services are also expanding with the growth in the City. Several departments in the Municipal Building do not have adequate room to operate. The City acquired the former Welfare Services office building at 121 East Chestnut Street from the Fairfield County Commissioners. The City Law Director relocated to the second floor of this building early in 2001. It is expected that the Departments of Engineering and Information Services will also relocate from the Municipal Building to the annex. Architectural plans are being developed to renovate the first floor of the annex to accommodate the other two departments. These relocations will free up much needed office space for other departments in the Municipal Building to expand into.

Commercial development in the US Route 33 Northwest, north Memorial Drive, corridor remained active in 2001. Holiday Express, a national hotel chain, completed construction of a new, 72 unit hotel along Riverway Drive in the River Valley Complex. Also in the River Valley Complex, U-Haul has submitted plans for additional storage buildings at their facility on Riverway Drive. Across Memorial Drive, construction of a new 8-unit office building on Schorrway Drive began in late 2001 with completion scheduled for the summer of 2002.

Fairfield National Bank began construction of a larger, new office at North Memorial Drive and Arlington Avenue. This office will replace the current building and offer expanded service at this busy branch when completed in 2002. Continuing south, a three-unit shopping center began construction at Memorial Drive and Park Street at the site of the former BP carwash.

Commercial activity also continued on the eastside. Tim Horton's a regional restaurant chain, completed construction of a second restaurant on East Main Street at Ann Court.

Senior housing options continued to expand with the completion of Canal Place, a downtown apartment complex in the Kirn Building. Additional senior apartments were under construction at Pleasantville Place on Chartwell Drive and Livingston Arms Apartments on Livingston Avenue. Both these projects will be completed in 2002.

Housing activity continues to remain strong in all parts of the City. River Valley Highlands, a joint Dominion Homes and Rockford Homes project, continued to expand. Two additional preliminary plats were approved, for a total of 491 lots in late 2000. Construction began on Section 10-1, with 34 lots, and Section 10-2, with 34 lots, in 2001. Construction continued in the earlier phases including sections 7, 8 and 9. The approved portions of River Valley Highlands are expected to be complete within the next 2-3 years.

Smaller subdivisions are also growing. Year 2001 saw construction completed on Ewing Run Estates and Sheridan Rainbow #11 Subdivisions on the City's north side for a total of 45 lots. Work also began on completing the second phase of Hunters Trace Part V. Review is underway for Gentry Woods at Wheeling Court providing 6 lots on a re-plot of Miller Subdivision at 6th and Ohio Street providing 7 lots.

Construction of the Twin Creek Subdivision on Hamburg Road was near completion at the end of 2001. This subdivision will provide 32 single residence lots. Construction continued on City View Subdivision in 2001 with completion scheduled in late 2002 or early 2003.

Condominiums became a major potential development in 2002. A development plan for the Villas at Sherman Bluffs, a 76 unit condominium development was approved in late 2001 for construction in 2002. A second phase of this project is proposed, pending the acceptance of the Venz Annexation that was filed in 2001. Plans for Ruble Hills, an 86 unit condominium and 120 single residence house complex, are currently being developed for construction in early 2003. Additional proposals for Stonington Village, 44 condominium units at Wheeling Road and Pleasantville Road, and Wesley Hills a mixed residential community of 272 residential, condominiums, and apartments were received in 2001.

One annexation, the Fetter-Carpico-Seifert tract totaling 15.8 acres was accepted in 2001. The adjacent 11.7 acre Venz annexation is currently pending before the County Commissioners.

MAJOR INITIATIVES

The long-awaited start of the US Route 33 Lancaster Bypass began in 2001. The Ohio Department of Transportation (ODOT) opened bids and work began on construction of first phase of the Lancaster Bypass. Ultimately, this multi-phase project will route through traffic around the City between Horns Mill Roads south of Lancaster to Plum Road north of Lancaster. This highway will carry through traffic on U.S. Route 33 around and take through US 33 traffic off of Memorial Drive in the City. It will be an "interstate look-alike" highway with a divided four-lane cross-section in a limited-access right-of-way. This freeway will have full interchanges at both ends, at U.S. Route 22 and at State Route 188; a partial interchange will be constructed at Coonpath Road. This project is needed to eliminate traffic congestion in the City, and has been in the planning stages since the 1970's. ODOT resurrected the project in 1994, and has worked steadily to begin construction since then. A preferred alignment for this \$125M project was refined in 1999. The Environmental Impact Assessment was completed and presented to the public in January 2000, which the Federal Highway Administration accepted early in 2001. This step cleared the last administrative hurdle so that construction could begin. The first phase will connect US 33 north of the City to State Route 188 west of the City. Full completion of the bypass is anticipated in mid 2005.

The Bypass' interchange with SR 188 will be proximate to the City's Rock Mill Corporate Park. Improvements have been made in the northern part of the park adjoining Fair Avenue, but the second phase of the park just north of SR 188 is raw land without any utility or street improvements. To meet future demand for services in this area, the City has retained a consulting engineer to study the best way to serve the areas adjoining the Bypass with City services. The study is underway at the end of 2001.

Development in the northwest corridor along US 33 has created the need for upgrades to the City's water distribution system. Three water main projects have been completed in previous years to upgrade water service to this high-growth corridor under the Northwest Distribution System Improvements project. Phase 4 design work is underway on this next phase of the improvement project. Phase 4 involves a pressure boosting station near Arlington Avenue and Baltimore Road, a new water storage facility off of Baltimore Road, and a water main extension along Baltimore Road to feed the new storage facility. The City is presently negotiating with two property owners to obtain a suitable site for a water storage tank of 2M gallons. Work is programmed to begin in late 2002.

The Lancaster Community Improvement Project to upgrade infrastructure and streets in the City's central business district reached substantial completion in 2000. The new storm sewer constructed in South Columbus Street under that project outlet into a smaller-diameter, combined sewer, which constricted the storm flows from the improvement area. In addition, a brick storm sewer in South Broad Street between South Columbus Street and the Hocking River was in such a deteriorated state that two sections had collapsed. The South Broad Street and South Columbus Street Sewer Rehabilitation bid, constructed and completed in 2001 corrected both problems. A new storm sewer was laid along South Broad Street from the Hocking River north to the Broad and Walnut Street intersection. Another new storm sewer was tied to this sewer and was laid in South Columbus Street from Broad Street to the end of the new downtown storm sewer at Walnut Street. Both streets were resurfaced with a hot-mix asphalt concrete over the project's length.

The City did not have a contract street resurfacing program again in 2001. However, like 1999 and 2000, the Division of Streets let a bid for the purchase of asphalt concrete material. While the resurfacing material was purchased, the Division utilized its own forces and equipment to resurface several streets in the City.

The City matched limited City street resurfacing funds with federal surface transportation program (STP) funds to perform improvements to City streets. Under this program, City streets listed on the Federal-Aid Off-System Map are eligible for an 80 percent federal to 20 percent City funding match. One project completed under this program was the Pierce Avenue improvement from Fair Avenue to Memorial Drive. The work began in 2000, and was completed in 2001. The street had several deep base pavement repairs made, the crown in the street north of the Hocking River corrected, new guardrail installed, and new curb installed south of the river. The entire length of this section of Pierce Avenue was resurfaced with hot-mix asphalt concrete.

Fair Avenue between Slocum and Garfield Avenues was also improved using STP funds. Additional storm sewer and combined drainage inlets were installed to improve drainage of the street. Curb was also replaced to improve drainage, and curb ramps were installed at intersections with sidewalk. The entire length of the improvement was resurfaced with a hot-mix asphalt concrete. Work was substantially completed at year's end.

The City also utilized STP funds to perform preventive maintenance on several streets. The City used these funds to let a contract for crack-sealing several Federal-Aid Off-System streets. Crack-sealing prolongs the pavement life by sealing the cracks where deterioration of the pavement is greatest. Included in the list were West Fair Avenue from Collins Road to Garfield Avenue and from Slocum Avenue to Memorial Drive, Collins Road, Sheridan Drive, Boving Road, North Columbus Street between Baltimore Road and Bush Hill Drive, and Sixth Avenue from Memorial Drive to Pleasantville Road. Also, as part of this project, deep pavement repairs were made to North Columbus Street between Baltimore Road and Bush Hill Drive. At year's end, a section of East Fair Avenue still needs crack sealed.

STP funds were also used for the local share on an Ohio Department of Transportation (ODOT) project. ODOT bid and constructed a "mill and fill" resurfacing of US 22 from the west corporation line to the east corporation line. ODOT had not performed resurfacing of any City's streets for several years, claiming the municipalities were responsible for this work. Under ODOT's new urban policy, ODOT pays 80 percent of the "mill and fill" construction items and the City pays the remaining balance of the project costs. As a result of the past policy, US 22 in the City needed attention due to deteriorated pavement surface. City personnel met with ODOT representatives in 2000 to determine the project scope. ODOT then prepared plans, bid and administered this project. The project was completed in 2001.

A future project involving STP funds is being planned at year's end. Existing US 33 through the City will be partially reconstructed after the Lancaster Bypass is completed. Most of the existing highway was constructed in the 1950's, and it has been resurfaced with asphalt concrete several times. However, the underlying Portland cement concrete base remains as originally placed. Typical design life for a concrete base is 40 years, so the base is at the end of its design life. The drainage system for the highway is also near the end of its design life. With completion of the Lancaster Bypass, the federal US 33 shield will be removed from the existing highway, and the existing highway will become a city street to maintain. City officials met with ODOT officials in 2000 to see what assistance the City could obtain from ODOT to reconstruct the existing highway after the bypass is open. In 2001, ODOT prepared preliminary cost estimates based on differing levels of reconstruction. ODOT has committed to providing the funding equivalent to a two-inch "mill and fill" asphalt concrete resurfacing project. ODOT will also provide design services and administer and inspect the construction work. This project will be on going for the next couple years as design work proceeds.

Another project utilizing STP funds is under development for bid in late 2002. Two deteriorated and functionally obsolete culverts under North Columbus Street adjoining the River Valley Highlands will be replaced with new conduit. The length of both culverts will be increased to allow for a safer street cross-section over them.

ODOT has bid and let a project to replace the State Route 793, South Broad Street Bridge over Tarhe Run. The present structure is functionally obsolete and is a maintenance problem due to its wood plank deck. The alignment of Tarhe Run approaching the bridge poses a structural concern in that high stream flows could create scour holes near the abutments. This scour could undermine the abutments, causing a possible collapse. The proposed replacement bridge will require a channel realignment of Tarhe Run to eliminate the channel's present "S" curve alignment at the bridge, and, thus minimize the scour potential. As a result, the proposed bridge and channel will be built slightly south of the existing bridge location. Construction is anticipated to start in March 2002.

The City used another source of funding for street improvements and maintenance to supplement City funds. The Ohio Public Works Commission awarded the City a State Capital Improvement (SCIP) Grant under the State Issue 2 program for street improvements. Three functionally obsolete and hydraulically deficient culverts were replaced. The replacement culverts adequately carry stream flows because of their increased size, and provide a safe street cross-section due to their longer lengths. The culverts under North Columbus Street at Hubbard Drive, under Sheridan Drive between Beverly Hills Drive and Malibu Avenue, and under Marietta Road between Lanreco Boulevard and Crestview Drive were replaced. The SCIP grant provided 90 percent of construction costs. The project was substantially complete at year's end.

Bids were let and construction begun on the new South Water Treatment Plant under the City's South Wellfield and Water Treatment Plant project. The City acquired property along the Hocking River in the vicinity of Horns Mill in Berne Township in 1993 for this purpose. A feasibility study completed in 1998 determined that an eight million gallon per day (mgd) membrane type water treatment plant, with the capability to expand to 11 mgd in the future, was needed. The adjoining well field will be developed to provide raw water to the plant. Design work on the plant was completed in 2000. The City received a low interest Water Supply Revolving Loan Account through the Ohio environmental Protection Agency (OEPA) to fund the construction, and construction administration and inspection work on this project. The project was underway at the end of 2001.

Another part of the South Wellfield and Water Plant project involved construction of two 500,000 gallon clearwells and appurtenant piping at the water plant site. The clearwells will store finished water from the treatment plant before it is pumped to the City's distribution system. The clearwells were constructed under a different contract from the water treatment plant since the clearwells require a specialty contractor. Work on the clearwells began in 2000, and was completed in 2001.

Another part of this multi-part project was the installation of a 30-inch water transmission main from the proposed plant site to the existing City distribution system at Canal and Maple Streets. This project also includes the installation of large water mains in Canal, High, Chestnut, Lawrence and Ewing Streets in the City. Bids for this work were opened in December 2000. Work began in early 2001 and was substantially complete at year's end. A Water Supply Revolving Loan Fund was awarded to fund this \$7M project. The project also involved the parallel construction of a 16-inch force main from the South Water Plant to the City's sewerage collection system to carry reject water from the plant's operations to the City's Water Pollution Control Facility for treatment.

Recent amendments to the federal Clean Water Act have directed pollution mitigation efforts to other water pollution sources, namely 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 will fill beyond capacity and the system outlets the excess flow to streams and rivers. These outlet points are CSO's. The City retained a consulting engineer to help keep the City in compliance with the new regulations. The City is on schedule and the required nine minimum controls mandated in the regulations have been implemented. The City submitted the *Combined Sewer System Characterization Report* and the *Combined Sewer System Operational Plan* to the Ohio Environmental Protection Agency (OEPA) in 1999. Work on the next requirement, development of the *Combined Sewer Overflow Long Term Control Plan* was completed and submitted to OEPA in June 2000. The City is awaiting OEPA's review of the submittals.

Another area of study for the City resulting from the 1987 amendment to the Clean Water Act pertains to storm water controls. US EPA issued Phase II regulations in December 1999 that may require the City to implement controls, programs and policies to control both the quantity and quality of storm water runoff. To prepare for the regulations, the City has assembled a Technical Advisory Committee (TAC) to look at the possible implementation of the required six minimum control criteria. The TAC is working with a consulting firm to look at possible funding mechanisms to fund the programs and improvements necessary to meet the six minimum control criteria. It is still unclear to what extent the City will need to comply. At this time the City is awaiting an OEPA decision as to whether it falls under the Phase II regulations.

Three neighborhood improvement projects utilizing Community Development Block Grant (CDBG) funds were in various stages of development at year's end. Construction drawings and specifications for the second phase of the Champion Fairfield Improvement Phase 2 project were completed. This project will install storm sewers and storm inlets, and reconstruct the existing chip seal street to full-depth asphalt construction with curb and gutters. A bid letting in the spring of 2002 is anticipated.

Bids were opened and a contract awarded on the Hubert Reese Storm Sewer and Flood Pump Improvements in 2001. This area has suffered from flooding problems since it was developed in the early 1950's due to an inadequate storm sewer system and grading plan for the area during the development. The low-lying ground elevations of this flood plain area aggravate the situation since the outlets of the storms sewers become inundated during high flows in the Hocking River. When the river elevation is above the flap gates on the ends of those sewers they close off and storm water backs up into the low-lying areas. This situation requires flood pumps with a force main to remove storm water from the storm sewer system during these events. The force main and storm sewers were complete at year's

end. Delays in getting electrical power to the site forced a winter shutdown on the pump station. Work is expected to resume after the weather breaks.

Construction plans were completed for improvements to Nolder and Barr Drives in the Lanreco Farms Addition. The area was developed prior to annexations into the City. The area does not have a storm water system and the streets are narrow, have a chip seal construction and lack curb and gutter. This project will remove the existing macadamized pavement and install storm sewers, curb and gutter, and a full-width, full-depth asphalt concrete pavement. A construction date has not been programmed for this project. This project will be funded with CDBG and City general fund monies.

Additional growth in the Sheridan Rainbow section in the north part of the City required the extension of the Ewing Run Trunk Sewer. An 18-inch sanitary trunk sewer was extended for 1600 feet north of Rainbow Drive along Ewing Run. The sewer will serve housing developments north of Rainbow Drive, with the potential to serve areas beyond the current northerly corporation line.

City personnel working with US Congressman David Hobson secured a federal construction grant to restart the long dormant Pleasant Run Sanitary Trunk Sewer and Lynwood Lane Sanitary Sewer. The Pleasant Run Sanitary Trunk Sewer will connect to the East Main Sanitary Trunk Sewer just west of Pleasant Run. The sewer is intended to follow Pleasant Run upstream to provide sanitary sewer service to this tributary area. The initial phase will construct the trunk sewer to the north side of East Main Street just east of the Lynwood Lane intersection. This four-lane section of East Main Street is not served with sanitary sewer, and completion of this sewer will enhance future development along this major street. Also, the extension of the trunk sewer will allow sanitary sewer to be constructed in Lynwood Lane to serve the unsewered lots in the Rae High Acres Subdivision. This subdivision was developed in the County without sanitary sewer prior to its annexation in 1966. The underlying soil conditions in the area are not conducive to septage leach fields, and many of the on-lot septage systems have failed. A seasonal high-water table in the spring results in raw sewage in the area's roadside ditches. Discussions of extending sanitary sewer into the area have occurred since the late 1970's, but a funding source was never determined. With the grant monies and monies in the Water Pollution Control Fund, a funding source to construct the sewers has been established. Preliminary design to identify possible sewer alignments and profiles was underway at the end of 2001. Final design and bidding documents are expected to be completed in 2002, and construction to begin in the spring of 2003.

Lancaster Parks and Recreation

Parks and Recreation activities continue to provide beneficial experiences for families of Lancaster. Special events designed with the entire family in mind continue to be the most popular leisure activity that we provide. The Pumpkin Hike at Alley Park drew over 6,000 visitors. Nature oriented educational programming increases each year. During the month of May, these programs are coordinated with area school districts and provide valuable opportunities for students. The cooperative effort between Lancaster Parks and Recreation and Fairfield Medical Center continues to benefit senior citizens in our community through a wide variety of wellness and fitness programs.

The results of a master plan for Rising Park called for the future relocation of the offices from the rear of the park. The current location has served the department for more than 30 years. The increase in park activities throughout the system over the years has resulted in more vehicular traffic through Rising Park for the specific purpose of getting to the offices. This has not only created safety concerns for park users but also resulted in unnecessary traffic through the park. The new facility became available following the move of Lancaster Municipal Gas to their new location west of Lancaster. The Board of Park Commissioners seized this unique opportunity and made the decision to relocate the office and maintenance facility from the rear of Rising Park to 1507 East Main Street. The new facility at Main and Baldwin will more than double the space for operations and create better visibility for the department.

A new fundraising effort of the Friends of the Parks began in 2001 for the restoration of a century old log house. This will involve the relocation of the structure from Clear Creek Metro Park and reconstruction in Alley Park. Lancaster Parks and Recreation continues to improve the quality of life in Lancaster.

FINANCIAL INFORMATION

Internal Control, Budgetary Control and the Accounting System

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

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

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

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

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

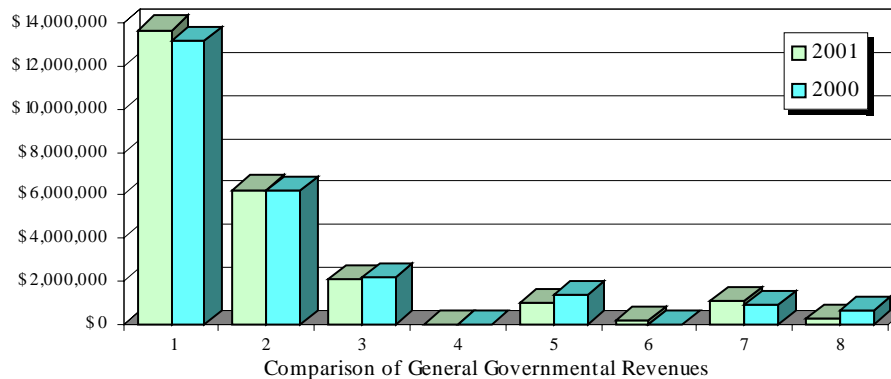
The Auditor's Office is responsible for the auditing and analysis of all purchase orders of the City. Personnel of the Auditor's Office carefully review purchase orders to ensure the availability of monies in the proper funds and accounts prior to the certification and subsequent payment of approved invoices. The City utilizes a fully automated accounting system as well as an automated system of controls for fixed 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.

General Governmental Functions

The following schedule presents a summary of general governmental functions (including general, special revenue, and debt service funds), revenues for the year ended December 31, 2001, and the amount and percentage of increases and decreases relative to the prior year's revenue.

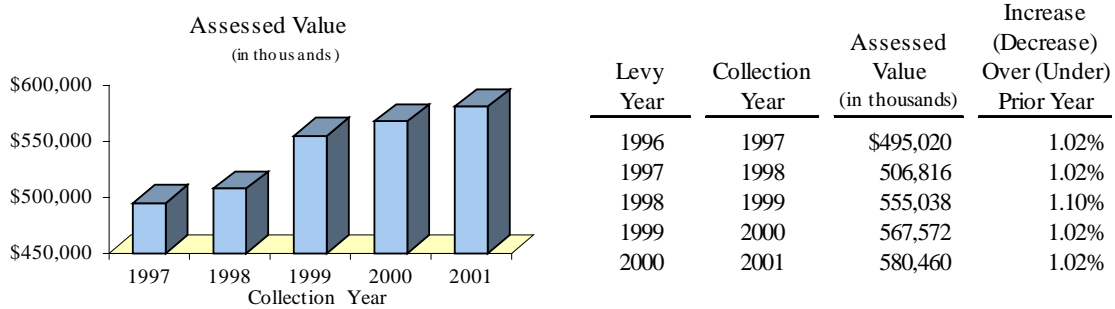
Revenue Source	Total 2001 Revenues	Percent of Total	Total 2000 Revenues	Increase (Decrease) over 2000	% Increase (Decrease) over 2000
1 Taxes	\$13,680,400	55.5%	\$13,172,832	\$507,568	3.9%
2 Intergovernmental Revenues	6,266,523	25.4%	6,212,163	54,360	0.9%
3 Charges for Services	2,109,084	8.6%	2,205,328	(96,244)	(4.4%)
4 Licenses and Permits	32,443	0.1%	31,392	1,051	3.4%
5 Investment Earnings	980,453	4.0%	1,357,385	(376,932)	(27.8%)
6 Special Assessments	215,585	0.9%	0	215,585	N/A
7 Fines and Forfeitures	1,084,988	4.4%	902,654	182,334	20.2%
8 All Other Revenues	270,083	1.1%	617,665	(347,582)	(56.3%)
Total	\$24,639,559	100.0%	\$24,499,419	\$140,140	



Revenue Narrative

The \$.5 million increase in tax revenues is the result of an expanding tax base, both property and income, in the City. Property taxes are levied and collected at the county level. Lancaster lies within Fairfield County. After collection, the county distributes a portion of the taxes collected to the various political subdivisions within its geographical boundaries. The property tax rate for the City is 3.4 mills which represents \$3.40 per \$1,000 of taxable valuation. Increases in the property tax rate can only occur with the approval of the City's voters. Revenues from property taxes are used for general fund operations and partial funding of police and fire pension costs.

Total assessed values in the City over the past five years are shown below:



Levy Year	Collection Year	Assessed Value (in thousands)	Increase (Decrease) Over (Under) Prior Year
1996	1997	\$495,020	1.02%
1997	1998	506,816	1.02%
1998	1999	555,038	1.10%
1999	2000	567,572	1.02%
2000	2001	580,460	1.02%

Investment earnings decreased approximately 28% below 2000 because interest rates decreased during 2001. The City's investment policies are discussed in more detail under the topic of "Cash Management."

The decrease of \$96,244 in charges for services is mainly the result of not receiving the cable franchise fee within the City's period of availability.

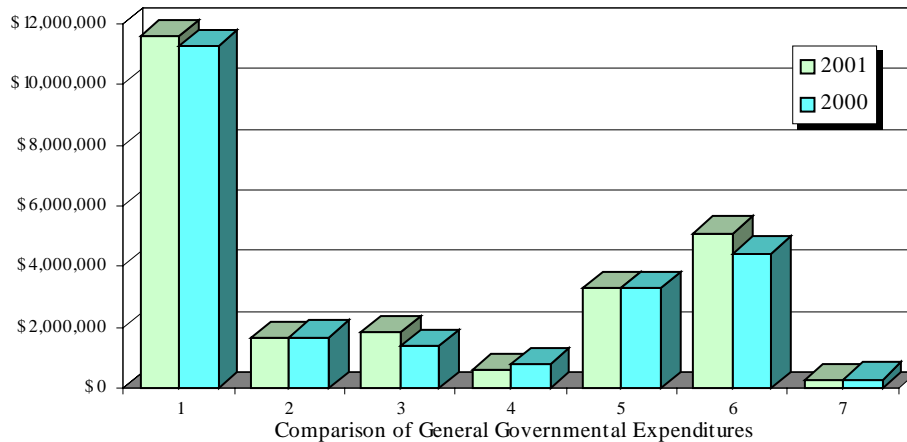
Fines and forfeitures increased as a result of a record amount of cases in the court.

The decrease in other revenues is attributable to refunds of workers' compensation premiums from the State in 2000 which did not occur in 2001.

Expenditure Narrative

Expenditures for general governmental purposes (as defined previously) totaled \$24,344,852, an increase of \$1,151,950 compared to 2000. Expenditures for the major functions of the City, increases/(decreases) over 2000 and percentages of the total are shown in the following table:

Function	Total 2001 Expenditures	Percent of Total	Total 2000 Expenditures	Increase (Decrease) over 2000	% Increase (Decrease) over 2000
1 Security of Persons and Property	\$11,600,718	47.7%	\$11,299,152	\$301,566	2.7%
2 Public Health and Welfare	1,655,940	6.8%	1,674,330	(18,390)	(1.1%)
3 Leisure Time Activities	1,852,663	7.6%	1,393,910	458,753	32.9%
4 Community Environment	605,689	2.5%	811,135	(205,446)	(25.3%)
5 Transportation	3,273,454	13.4%	3,277,651	(4,197)	(0.1%)
6 General Government	5,113,651	21.0%	4,444,982	668,669	15.0%
7 Debt Service	242,737	1.0%	291,742	(49,005)	(16.8%)
Total	\$24,344,852	100.0%	\$23,192,902	\$1,151,950	



Expenditures for security of persons and property, public health and welfare, and transportation expenditures remained steady from 2000 levels. Any increases are attributable to routine increases for materials, supplies, services and wage increases. Leisure time activities increased due to a \$450,000 purchase of park land. The decrease in community environment is a result of the completion of the downtown revitalization project which began in 1998. Increases in general government expenditures stemmed from a variety of reasons, including full year's salary for new personnel in the auditor's department, the law director's office, and the engineering department as well as a significant increase in health care costs. Other causes were the payment of compensated absences upon the retirement of two long-time employees, and outside consulting services.

Proprietary Operations

Enterprise Funds

The City's enterprise operations consist of gas, water distribution, sewer collections systems and refuse collection. The enterprise funds are supported by revenues derived from user charges.

Certain pertinent data relating to the enterprise operations of the City is indicated below:

	Total Assets	Net Income (Loss)	Return on Assets
Gas	\$10,975,024	(\$2,486,992)	(22.66%)
Water	25,131,591	1,317,750	5.24%
Water Pollution	33,110,969	(175,084)	(0.53%)
Sanitation	3,277,345	523,568	15.98%

Fiduciary Operations

Trust and agency funds are established 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. The City maintains an expendable trust fund with assets totaling \$210,018 and a nonexpendable trust fund with assets totaling \$708,379. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Debt Administration

The debt service fund accumulates resources for the payment of principal, interest and associated administrative costs on the City's general and special assessment long-term debt. Typically resources are derived from property taxes (real and personal), special assessments, income taxes and operating transfers. Currently the City has no general obligation bonded debt. The City did issue Special Assessment Bonds which were used to finance central business district improvements. The debt is financed by assessments to affected property owners. The City's loan from the Department of Housing and Urban Development for the downtown revitalization project has a balance of \$1,390,000. The loan is expected to be paid back from the City's entitlement community development block grant program over the next twenty years.

Debt expected to be paid from enterprise revenues is reported as a liability of the enterprise funds. The major enterprise fund liabilities are loans from the Ohio Water Development Authority (OWDA) which are being used to finance a new water treatment plant, clearwells and wellfield, the improvement of the water pollution control facility, and closure costs for the solid waste landfill. At December 31, 2001 the amount of the loans was \$34,567,215.

General Obligation Notes outstanding at December 31, 2001 were \$1,875,000. The proceeds are being used for park improvements, the law enforcement building, and downtown revitalization.

The ratio of property tax supported general bonded debt to assessed value and the amount of bonded debt per capita are considered to be good indicators to municipal managers, citizens and investors in general governmental debt of the City's debt position. The City's debt position as of December 31, 2001 was as follows:

Overall Legal Debt Margin	\$59,081,857
Unvoted Legal Debt Margin	\$30,058,866
Net Bonded Debt to Assessed Value	0%
Net Bonded Debt per Capita	\$0

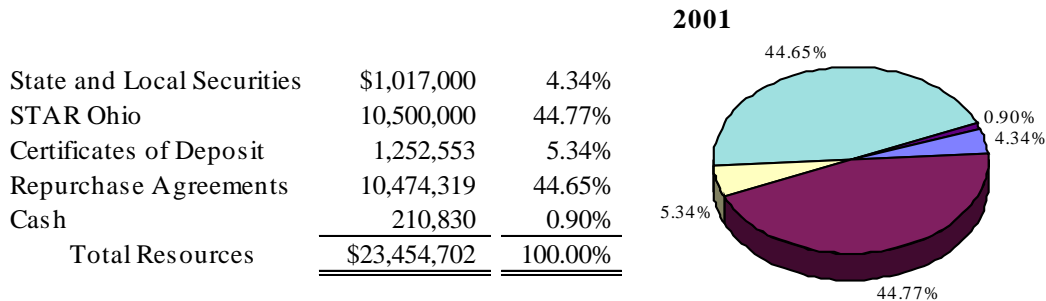
A more thorough presentation of the calculation of these figures is located in the statistical section of the enclosed report.

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, 2001 as follows:



The City earned interest of \$1,051,741 on investments for fiscal year 2001. Except for earnings on investment held by fiscal and escrow agents and trust funds, interest earned was allocated to the governmental funds.

At December 31, 2001, the City had deposits of \$1,463,383 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. Since the collateral is held as a pool rather than in the name of the City, the deposits protected by the pool are classified as Category 3 (see Note 4 of the financial statements). All deposits are made under contracts with local banking institutions pursuant to statute.

Risk Management

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

OTHER INFORMATION

Independent Audit

This report includes an unqualified audit report regarding the City's financial statements. The audit was conducted by Jim Petro, Auditor Of State. The Auditor's Report on the general purpose 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, 2000. This was the fifteenth 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.

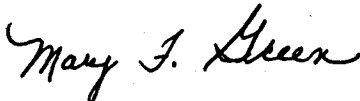
Public Disclosure

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, Angela Bezouska, Assistant Auditor, Marsha Conrad, Catherine Ryan, Jody Sheets, and Denise Hill, 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,

A handwritten signature in cursive script that reads "Mary F. Green".

Mary F. Green, City Auditor

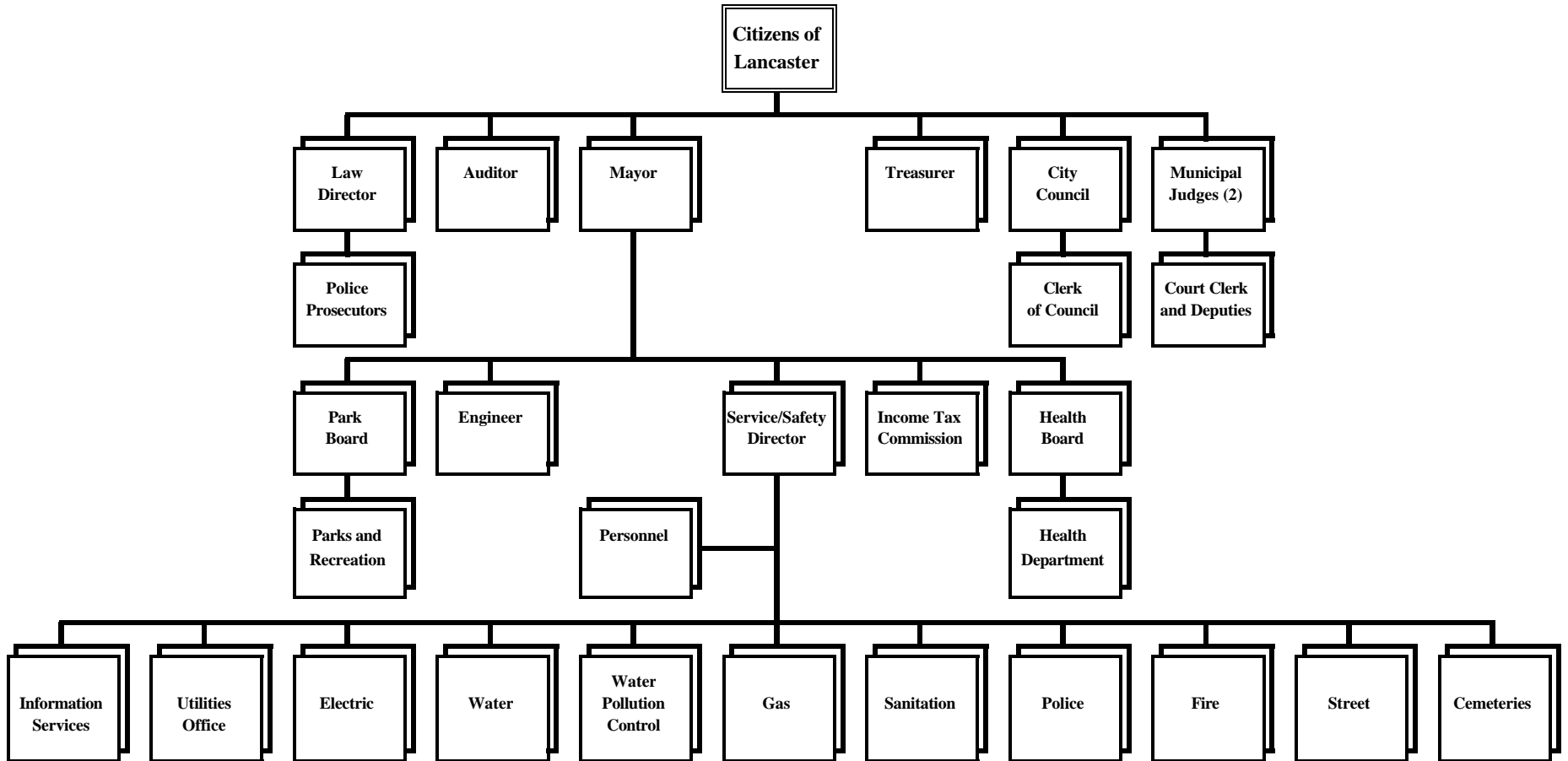
THE CITY OF LANCASTER, OHIO
FAIRFIELD COUNTY
LIST OF PRINCIPAL OFFICIALS
AS OF DECEMBER 31, 2001

<u>Name</u>	<u>Title</u>
<u>Executive Officials</u>	
Arthur M. Wallace	Mayor
Mary F. Green	Auditor
Terre Vandervoort	Law Director
A. Gene Ash	Treasurer
<u>Legislative Officials</u>	
Robert Ubbing	President of Council
Steve Davis	Council-at-Large
Dwight Andrews	Council-at-Large
Karl Justus	Council-at-Large
Wayne Roller	Council - 1st Ward
John Zekas	Council - 2nd Ward
David Pusinelli	Council - 3rd Ward
W. Dean Scholl	Council - 4th Ward
Harry Hiles	Council - 5th Ward
Robert Harvey	Council - 6th Ward
<u>Administrative Officials</u>	
Earl (Butch) Strawn	Service/Safety Director
James Loffree	Income Tax Commissioner
L. Kent Huston	City Engineer

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

The City of Lancaster, Ohio

Organizational Chart



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, 2000

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.



Thomas A. Howe
President

Jeffrey L. Esser
Executive Director



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FINANCIAL SECTION

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

35 North Fourth Street
Columbus, Ohio 43215
Telephone 614-466-3402
800-443-9275
Facsimile 614-728-7199
www.auditor.state.oh.us

REPORT OF INDEPENDENT ACCOUNTANTS

City Council
City of Lancaster
Fairfield County
104 East Main Street
Lancaster, OH 43130

We have audited the accompanying general purpose financial statements of the City of Lancaster, Fairfield County, Ohio, (the City) as of and for the year ended December 31, 2001, as listed in the table of contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose 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 *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 general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Lancaster, Fairfield County, Ohio, as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended December 31, 2001, the City adopted *Governmental Accounting Standards Board Statement Number 33 "Accounting and Financial Reporting for Nonexchange Transactions"* and *Governmental Accounting Standards Board Statement Number 36 "Recipient Reporting for Certain Shared Nonexchange Revenues"* as described in Note 2.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 31, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. 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.

We performed our audit to form an opinion on the general purpose financial statements of the City, taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for additional analysis and are not a required part of the general purpose financial statements. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the general purpose financial statements taken as a whole.

We did not audit the data included in the introductory and statistical sections of this report and therefore express no opinion thereon.

A handwritten signature in black ink, appearing to read "Jim Petro", written in a cursive style.

JIM PETRO
Auditor of State

May 31, 2002

GENERAL PURPOSE FINANCIAL STATEMENTS

THE FOLLOWING GENERAL PURPOSE FINANCIAL STATEMENTS, ALONG WITH THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, PRESENT AN OVERVIEW OF THE CITY'S FINANCIAL POSITION AT DECEMBER 31, 2001 AND THE RESULTS OF OPERATIONS AND CASH FLOWS OF ITS PROPRIETARY AND NONEXPENDABLE TRUST FUNDS FOR THE YEAR THEN ENDED.

THE CITY OF LANCASTER, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Fund
<u>Assets and Other Debits:</u>				
Assets:				
Cash and Cash Equivalents	\$1,969,962	\$2,145,338	\$8,575	\$1,733,770
Investments	1,017,000	0	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	4,369,198	654,971	0	58,011
Accounts	31,868	144,882	0	0
Special Assessments	0	0	479,026	0
Interest	35,427	904	0	154
Loans	0	989,057	0	0
Due from Other Funds	83,808	16,960	0	0
Intergovernmental Receivables	1,238,817	1,691,607	0	0
Inventory of Supplies at Cost	116,564	160,847	0	0
Prepaid Items	40,180	8,320	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	50,548	0	166,620
Investments	0	0	0	0
Cash with Fiscal Agent	11,714	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Fund	0	0	0	0
Amount to be Provided for General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$8,914,538</u>	<u>\$5,863,434</u>	<u>\$487,601</u>	<u>\$1,958,555</u>

THE CITY OF LANCASTER, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001

<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)
Enterprise Funds	Internal Service Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$13,620,535	\$827,942	\$113,265	\$0	\$0	\$20,419,387
0	0	790,014	0	0	1,807,014
0	0	0	0	0	5,082,180
4,099,535	16,000	13,994	0	0	4,306,279
0	0	0	0	0	479,026
19,701	0	3,524	0	0	59,710
0	0	0	0	0	989,057
0	0	4,068	0	0	104,836
0	250	0	0	0	2,930,674
1,875,114	200,853	0	0	0	2,353,378
24,460	2,384	0	0	0	75,344
390,755	0	0	0	0	607,923
462,539	0	0	0	0	462,539
0	0	146,125	0	0	157,839
52,002,290	659,527	0	10,372,698	0	63,034,515
0	0	0	0	8,575	8,575
0	0	0	0	6,666,875	6,666,875
<u>\$72,494,929</u>	<u>\$1,706,956</u>	<u>\$1,070,990</u>	<u>\$10,372,698</u>	<u>\$6,675,450</u>	<u>\$109,545,151</u>

(Continued)

THE CITY OF LANCASTER, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Fund
<u>Liabilities, Equity and Other Credits:</u>				
Liabilities:				
Accounts Payable	\$180,029	\$83,260	\$0	\$25,969
Accrued Wages and Benefits	950,022	242,478	0	0
Due to Other Funds	0	0	0	0
Intergovernmental Payables	1,420	0	0	0
Due to Others	0	0	0	0
Retainage Payable	0	0	0	166,620
Accrued Interest Payable	0	1,467	0	19,774
Deferred Revenue	2,778,339	1,843,752	479,026	9,974
General Obligation Notes Payable	0	450,000	0	1,425,000
Compensated Absences Payable	0	0	0	0
Landfill Postclosure Care Liability	0	0	0	0
Capital Lease Payable	0	0	0	0
Claims Payable	0	0	0	0
Special Assessment Bonds Payable with Governmental Commitment	0	0	0	0
Housing and Urban Development Loan Payable	0	0	0	0
Ohio Public Works Commission Loan Payable	0	0	0	0
Ohio Water Development Authority Loans Payable	0	0	0	0
Total Liabilities	<u>3,909,810</u>	<u>2,620,957</u>	<u>479,026</u>	<u>1,647,337</u>
Equity and Other Credits:				
Investment in General Fixed Assets	0	0	0	0
Contributed Capital	0	0	0	0
Retained Earnings:				
Unreserved:	0	0	0	0
Fund Balances:				
Reserved for Encumbrances	431,835	96,836	0	611,876
Reserved for Supplies Inventory	116,564	160,847	0	0
Reserved for Prepaid Items	40,180	8,320	0	0
Reserved for Debt Service	0	0	8,575	0
Reserved for Loans Receivable	0	989,057	0	0
Reserved for Endowments	0	0	0	0
Unreserved:				
Undesignated	4,416,149	1,987,417	0	(300,658)
Total Equity and Other Credits	<u>5,004,728</u>	<u>3,242,477</u>	<u>8,575</u>	<u>311,218</u>
Total Liabilities, Equity and Other Credits	<u>\$8,914,538</u>	<u>\$5,863,434</u>	<u>\$487,601</u>	<u>\$1,958,555</u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF LANCASTER, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2001

<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Types</i>	<i>Account Groups</i>		Totals (Memorandum Only)
Enterprise Funds	Internal Service Funds	Trust and Agency Funds	General Fixed Assets	General Long-Term Obligations	
\$5,240,936	\$13,540	\$0	\$0	\$0	\$5,543,734
389,131	90,289	0	0	0	1,671,920
31,983	0	72,853	0	0	104,836
11,214	0	4,068	0	0	16,702
197,520	0	75,672	0	0	273,192
193,235	0	0	0	0	359,855
0	0	0	0	0	21,241
0	0	1,460	0	0	5,112,551
0	0	0	0	0	1,875,000
851,060	185,269	0	0	1,608,645	2,644,974
2,224,292	0	0	0	0	2,224,292
0	39,782	0	0	1,191,127	1,230,909
0	608,406	0	0	0	608,406
0	0	0	0	367,000	367,000
0	0	0	0	1,390,000	1,390,000
0	0	0	0	118,678	118,678
<u>34,567,215</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,000,000</u>	<u>36,567,215</u>
<u>43,706,586</u>	<u>937,286</u>	<u>154,053</u>	<u>0</u>	<u>6,675,450</u>	<u>60,130,505</u>
0	0	0	10,372,698	0	10,372,698
2,406,878	84,751	0	0	0	2,491,629
26,381,465	684,919	0	0	0	27,066,384
0	0	0	0	0	1,140,547
0	0	0	0	0	277,411
0	0	0	0	0	48,500
0	0	0	0	0	8,575
0	0	0	0	0	989,057
0	0	708,379	0	0	708,379
0	0	208,558	0	0	6,311,466
<u>28,788,343</u>	<u>769,670</u>	<u>916,937</u>	<u>10,372,698</u>	<u>0</u>	<u>49,414,646</u>
<u>\$72,494,929</u>	<u>\$1,706,956</u>	<u>\$1,070,990</u>	<u>\$10,372,698</u>	<u>\$6,675,450</u>	<u>\$109,545,151</u>



THE CITY OF LANCASTER, OHIO
COMBINED STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

	<i>Governmental</i>			<i>Fiduciary</i>		Totals (Memorandum Only)
	<i>Fund Types</i>			<i>Fund Type</i>		
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Fund	Expendable Trust Fund	
Revenues:						
Taxes	\$12,230,906	\$1,449,494	\$0	\$206,173	\$0	\$13,886,573
Intergovernmental Revenues	2,885,697	3,380,826	0	340,222	0	6,606,745
Charges for Services	977,334	1,131,750	0	0	34,503	2,143,587
Licenses, Permits and Fees	17,391	15,052	0	0	0	32,443
Investment Earnings	955,224	25,229	0	0	9,461	989,914
Special Assessments	0	0	215,585	0	0	215,585
Fines and Forfeitures	800,013	284,975	0	0	0	1,084,988
All Other Revenues	237,316	32,767	0	5,442	0	275,525
Total Revenues	18,103,881	6,320,093	215,585	551,837	43,964	25,235,360
Expenditures:						
Current:						
Security of Persons and Property	10,955,294	645,424	0	0	0	11,600,718
Public Health and Welfare Services	0	1,655,940	0	0	22,105	1,678,045
Leisure Time Activities	18,395	1,834,268	0	0	0	1,852,663
Community Environment	54,733	550,956	0	0	0	605,689
Transportation	0	3,273,454	0	0	0	3,273,454
General Government	4,969,619	144,032	0	0	0	5,113,651
Capital Outlay	0	0	0	3,509,832	0	3,509,832
Debt Service:						
Principal Retirement	0	90,000	3,043	0	0	93,043
Interest and Fiscal Charges	0	89,694	60,000	86,784	0	236,478
Total Expenditures	15,998,041	8,283,768	63,043	3,596,616	22,105	27,963,573
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,105,840	(1,963,675)	152,542	(3,044,779)	21,859	(2,728,213)
Other Financing Sources (Uses):						
Proceeds from Ohio Public						
Works Commission Loan	0	0	0	17,290	0	17,290
Proceeds from Special Assessment Bonds	0	0	0	367,000	0	367,000
Operating Transfers In	33,000	1,897,330	63,043	1,297,175	0	3,290,548
Operating Transfers Out	(2,999,662)	(66,000)	(215,585)	0	0	(3,281,247)
Other Financing Sources-Capital Lease	112,574	189,309	0	0	0	301,883
Total Other Financing Sources (Uses)	(2,854,088)	2,020,639	(152,542)	1,681,465	0	695,474
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(748,248)	56,964	0	(1,363,314)	21,859	(2,032,739)
Restated Fund Balance Beginning of Year	5,753,431	3,194,299	8,575	1,674,532	186,699	10,817,536
Decrease in Inventory Reserve	(455)	(8,786)	0	0	0	(9,241)
Fund Balance End of Year	\$5,004,728	\$3,242,477	\$8,575	\$311,218	\$208,558	\$8,775,556

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF LANCASTER, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

	<i>General Fund</i>			<i>Special Revenue Funds</i>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$12,651,774	\$12,141,824	(\$509,950)	\$1,436,486	\$1,443,925	\$7,439
Intergovernmental Revenues	3,109,902	3,100,618	(9,284)	3,684,114	3,425,558	(258,556)
Charges for Services	1,037,932	1,100,852	62,920	1,087,279	1,067,200	(20,079)
Licenses and Permits	30,677	15,891	(14,786)	11,000	15,052	4,052
Investment Earnings	1,263,300	1,023,665	(239,635)	30,000	25,615	(4,385)
Special Assessments	0	0	0	0	0	0
Fines and Forfeitures	791,518	805,082	13,564	229,000	285,905	56,905
All Other Revenues	480,170	526,191	46,021	114,621	77,523	(37,098)
Total Revenues	19,365,273	18,714,123	(651,150)	6,592,500	6,340,778	(251,722)
Expenditures:						
Current:						
Security of Persons and Property	11,651,078	11,208,176	442,902	757,658	677,355	80,303
Public Health and Welfare Services	500	0	500	1,814,118	1,666,647	147,471
Leisure Time Activities	18,500	18,493	7	1,944,745	1,849,152	95,593
Community Environment	71,836	64,121	7,715	819,498	805,825	13,673
Transportation	0	0	0	3,434,764	3,203,871	230,893
General Government	6,079,445	5,761,075	318,370	185,000	160,483	24,517
Capital Outlay	0	0	0	0	0	0
Debt Service:						
Principal Retirement	0	0	0	90,000	90,000	0
Interest and Fiscal Charges	0	0	0	88,227	88,227	0
Total Expenditures	17,821,359	17,051,865	769,494	9,134,010	8,541,560	592,450
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,543,914	1,662,258	118,344	(2,541,510)	(2,200,782)	340,728
Other Financing Sources (Uses):						
Proceeds from General Obligation Notes	0	0	0	450,000	450,000	0
Proceeds from Ohio Public Works Commission Loan	0	0	0	0	0	0
Proceeds from Special Assessment Bonds	0	0	0	0	0	0
Operating Transfers In	583,505	503,000	(80,505)	1,716,489	1,897,330	180,841
Operating Transfers Out	(2,999,662)	(2,999,662)	0	(66,000)	(66,000)	0
Advances In	0	960,000	960,000	0	60,000	60,000
Advances Out	(60,000)	(60,000)	0	(60,000)	(60,000)	0
Total Other Financing Sources (Uses)	(2,476,157)	(1,596,662)	879,495	2,040,489	2,281,330	240,841
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(932,243)	65,596	997,839	(501,021)	80,548	581,569
Fund Balance at Beginning of Year	1,718,634	1,718,634	0	1,788,300	1,788,300	0
Prior Year Encumbrances	620,398	620,398	0	133,009	133,009	0
Fund Balance at End of Year	\$1,406,789	\$2,404,628	\$997,839	\$1,420,288	\$2,001,857	\$581,569

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF LANCASTER, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2001

<i>Debt Service Funds</i>			<i>Capital Projects Fund</i>			<i>Totals (Memorandum Only)</i>		
Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
\$0	\$0	\$0	\$199,982	\$199,982	\$0	\$14,288,242	\$13,785,731	(\$502,511)
0	0	0	0	349,535	349,535	6,794,016	6,875,711	81,695
0	0	0	0	0	0	2,125,211	2,168,052	42,841
0	0	0	0	0	0	41,677	30,943	(10,734)
0	0	0	0	4,457	4,457	1,293,300	1,053,737	(239,563)
215,585	215,585	0	0	0	0	215,585	215,585	0
0	0	0	0	0	0	1,020,518	1,090,987	70,469
0	0	0	0	38,536	38,536	594,791	642,250	47,459
215,585	215,585	0	199,982	592,510	392,528	26,373,340	25,862,996	(510,344)
0	0	0	0	0	0	12,408,736	11,885,531	523,205
0	0	0	0	0	0	1,814,618	1,666,647	147,971
0	0	0	0	0	0	1,963,245	1,867,645	95,600
0	0	0	0	0	0	891,334	869,946	21,388
0	0	0	0	0	0	3,434,764	3,203,871	230,893
0	0	0	0	0	0	6,264,445	5,921,558	342,887
0	0	0	4,983,566	4,162,497	821,069	4,983,566	4,162,497	821,069
3,043	3,043	0	2,300,000	2,300,000	0	2,393,043	2,393,043	0
60,000	60,000	0	111,275	111,275	0	259,502	259,502	0
63,043	63,043	0	7,394,841	6,573,772	821,069	34,413,253	32,230,240	2,183,013
152,542	152,542	0	(7,194,859)	(5,981,262)	1,213,597	(8,039,913)	(6,367,244)	1,672,669
0	0	0	1,425,000	1,425,000	0	1,875,000	1,875,000	0
0	0	0	0	17,290	17,290	0	17,290	17,290
0	0	0	367,000	367,000	0	367,000	367,000	0
63,043	63,043	0	5,135,106	1,297,175	(3,837,931)	7,498,143	3,760,548	(3,737,595)
(215,585)	(215,585)	0	0	0	0	(3,281,247)	(3,281,247)	0
0	0	0	0	0	0	0	1,020,000	1,020,000
0	0	0	0	0	0	(120,000)	(120,000)	0
(152,542)	(152,542)	0	6,927,106	3,106,465	(3,820,641)	6,338,896	3,638,591	(2,700,305)
0	0	0	(267,753)	(2,874,797)	(2,607,044)	(1,701,017)	(2,728,653)	(1,027,636)
8,575	8,575	0	3,643,423	3,643,423	0	7,158,932	7,158,932	0
0	0	0	493,919	493,919	0	1,247,326	1,247,326	0
\$8,575	\$8,575	\$0	\$3,869,589	\$1,262,545	(\$2,607,044)	\$6,705,241	\$5,677,605	(\$1,027,636)



THE CITY OF LANCASTER, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY FUND TYPES AND SIMILAR TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

	<i>Proprietary</i>		<i>Fiduciary</i>	Totals (Memorandum Only)
	<i>Fund Types</i>		<i>Fund Type</i>	
	Enterprise Funds	Internal Service Funds	Nonexpendable Trust Fund	
<u>Operating Revenues:</u>				
Charges for Services	\$34,108,673	\$5,688,674	\$44,363	\$39,841,710
Other Operating Revenues	1,609,871	20,007	0	1,629,878
Investment Earnings	0	0	35,453	35,453
Total Operating Revenues	<u>35,718,544</u>	<u>5,708,681</u>	<u>79,816</u>	<u>41,507,041</u>
<u>Operating Expenses:</u>				
Personal Services	6,721,628	5,135,443	0	11,857,071
Materials and Supplies	22,819,932	270,436	0	23,090,368
Contractual Services	3,252,648	229,807	0	3,482,455
Depreciation	2,955,397	113,505	0	3,068,902
Other Operating Expenses	564	0	0	564
Total Operating Expenses	<u>35,750,169</u>	<u>5,749,191</u>	<u>0</u>	<u>41,499,360</u>
Operating Income (Loss)	(31,625)	(40,510)	79,816	7,681
<u>Non-Operating Revenues (Expenses):</u>				
Investment Earnings	26,374	0	0	26,374
Interest and Fiscal Charges	(1,297,975)	0	0	(1,297,975)
Gain on Sale of Land	447,000	0	0	447,000
Nonoperating Revenue	3,468	1,998	0	5,466
Loss on Disposal of Fixed Assets	0	(1,998)	0	(1,998)
Total Non-Operating Revenues (Expenses)	<u>(821,133)</u>	<u>0</u>	<u>0</u>	<u>(821,133)</u>
Income (Loss) Before Operating Transfers	(852,758)	(40,510)	79,816	(813,452)
<u>Operating Transfers:</u>				
Operating Transfers In	32,000	0	0	32,000
Operating Transfers Out	0	0	(41,301)	(41,301)
Total Operating Transfers	<u>32,000</u>	<u>0</u>	<u>(41,301)</u>	<u>(9,301)</u>
Net Income (Loss)	(820,758)	(40,510)	38,515	(822,753)
Add: Depreciation Charged on Contributed Capital	184,696	0	0	184,696
Restated Retained Earnings/ Fund Balance at Beginning of Year	<u>27,017,527</u>	<u>725,429</u>	<u>669,864</u>	<u>28,412,820</u>
Retained Earnings/Fund Balance at End of Year	<u><u>\$26,381,465</u></u>	<u><u>\$684,919</u></u>	<u><u>\$708,379</u></u>	<u><u>\$27,774,763</u></u>

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF LANCASTER, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

	<i>Proprietary</i>		<i>Fiduciary</i>	Totals (Memorandum Only)
	<i>Fund Types</i>		<i>Fund Type</i>	
	Enterprise Funds	Internal Service Funds	Nonexpendable Trust Fund	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$39,385,400	\$5,692,681	\$32,005	\$45,110,086
Cash Payments for Goods and Services	(23,952,808)	(489,076)	0	(24,441,884)
Cash Payments to Employees	(6,637,430)	(5,089,324)	0	(11,726,754)
Customer Deposits Received	161,315	0	0	161,315
Customer Deposits Returned	(148,103)	0	0	(148,103)
Net Cash Provided by Operating Activities	<u>8,808,374</u>	<u>114,281</u>	<u>32,005</u>	<u>8,954,660</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	32,000	0	0	32,000
Transfers Out to Other Funds	0	0	(41,301)	(41,301)
Repayment of Loan from General Fund	(900,000)	0	0	(900,000)
Net Cash Used by Noncapital Financing Activities	<u>(868,000)</u>	<u>0</u>	<u>(41,301)</u>	<u>(909,301)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Proceeds from Ohio Water Development Authority Loans	8,614,099	0	0	8,614,099
Principal Paid on General Obligation Notes	(2,197,600)	0	0	(2,197,600)
Proceeds from Sale of Land	450,000	0	0	450,000
Acquisition and Construction of Assets	(10,940,055)	(172,746)	0	(11,112,801)
Capital Lease Payments	0	(20,506)	0	(20,506)
Principal Paid on Ohio Water Development Authority Loans	(1,294,588)	0	0	(1,294,588)
Interest Paid on All Debt	(1,329,946)	0	0	(1,329,946)
Net Cash Used for Capital and Related Financing Activities	<u>(6,698,090)</u>	<u>(193,252)</u>	<u>0</u>	<u>(6,891,342)</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase of Investments	(20,508)	0	0	(20,508)
Receipt of Investment Earnings	21,615	0	37,824	59,439
Net Cash Provided by Investing Activities	<u>1,107</u>	<u>0</u>	<u>37,824</u>	<u>38,931</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,243,391	(78,971)	28,528	1,192,948
Cash and Cash Equivalents at Beginning of Year	<u>12,767,899</u>	<u>906,913</u>	<u>52,813</u>	<u>13,727,625</u>
Cash and Cash Equivalents at End of Year	<u>\$14,011,290</u>	<u>\$827,942</u>	<u>\$81,341</u>	<u>\$14,920,573</u>
<u>Reconciliation of Cash and</u>				
<u>Cash Equivalents per the Balance Sheet:</u>				
Cash and Cash Equivalents	\$13,620,535	\$827,942	\$113,265	\$14,561,742
Less: Cash and Cash Equivalents in Agency and Expendable Trust Funds	0	0	(31,924)	(31,924)
Restricted Cash and Cash Equivalents	390,755	0	0	390,755
Restricted Cash with Fiscal Agent	0	0	146,125	146,125
Less: Restricted Cash in Agency Funds	0	0	(146,125)	(146,125)
Cash and Cash Equivalents at End of Year	<u>\$14,011,290</u>	<u>\$827,942</u>	<u>\$81,341</u>	<u>\$14,920,573</u>

(Continued)

THE CITY OF LANCASTER, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2001

	<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Type</i>	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Funds	Nonexpendable Trust Fund	
Reconciliation of Operating Income (Loss) to Net Cash				
Provided by Operating Activities:				
Operating Income (Loss)	(\$31,625)	(\$40,510)	\$79,816	\$7,681
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	2,955,397	113,505	0	3,068,902
Interest on Investments	0	0	(35,453)	(35,453)
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	3,667,420	(16,000)	(12,358)	3,639,062
Decrease in Inventory	472,469	14,907	0	487,376
Increase in Prepaid Items	(2,268)	(141)	0	(2,409)
Increase (Decrease) in Accounts Payable	1,674,090	(3,151)	0	1,670,939
Increase in Accrued Wages and Benefits	16,781	7,658	0	24,439
Increase in Due to Other Funds	31,983	0	0	31,983
Increase in Intergovernmental Payable	11,214	0	0	11,214
Increase in Customer Deposits	13,212	0	0	13,212
Decrease in Landfill Postclosure Care Liability	(60,468)	0	0	(60,468)
Increase (Decrease) in Compensated Absences	60,169	(1,622)	0	58,547
Increase in Claims Payable	0	39,635	0	39,635
Total Adjustments	<u>8,839,999</u>	<u>154,791</u>	<u>(47,811)</u>	<u>8,946,979</u>
Net Cash Provided by Operating Activities	<u>\$8,808,374</u>	<u>\$114,281</u>	<u>\$32,005</u>	<u>\$8,954,660</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2001 the Gas, Water, and the Water Pollution Funds had outstanding liabilities of \$10,383, \$244,440, and \$143,438, respectively for certain capital assets. During 2001, the Water Fund incurred a liability of \$468,937 to the Ohio Water Development Authority for construction payments made by the Authority directly to contractors. In addition, the Water Fund also incurred a liability of \$496,960 to the Ohio Water Development Authority for fees and capitalized interest charged by the Authority. During 2001, the Information Services Fund received capital assets from the Electrical Fund with a net book value of \$1,998.

The notes to the general purpose financial statements are an integral part of this statement.

THE CITY OF LANCASTER, OHIO
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2001

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 accompanying general purpose financial statements of the City present the financial position of the various fund types and account groups, the results of operations of the various fund types and the cash flows of the proprietary and nonexpendable trust funds. The financial statements are presented as of December 31, 2001 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 general purpose 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, account groups, 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.

1. Jointly Governed Organization

The City participates in several Jointly Governed Organizations that are further described in Note 19.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies:

The accounting system is organized and operated on the basis of funds and account groups, 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 (expenses). The various funds are summarized by type in the general purpose financial statements. The following fund types and account groups are used by the City:

Governmental Funds

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

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.

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

Debt Service Funds - These funds are used for the accumulation of resources for, and the payment of, general obligation principal and interest other than those accounted for in the proprietary funds.

Capital Projects 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 the proprietary funds).

Proprietary Funds

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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 maintains separate enterprise funds for its water, water pollution, and gas and sanitation services.

Internal Service Funds - These funds are used to account for the financing of services provided by one department to other departments or agencies of the governmental unit or to other governmental units on a cost-reimbursement basis.

Fiduciary Funds

Trust and Agency Funds - These funds are used to account for assets held by a government unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. The City maintains an expendable trust fund, a nonexpendable trust fund and agency funds. The expendable trust fund is accounted for and reported similarly to governmental funds. The nonexpendable trust fund is accounted for in essentially the same manner as proprietary funds since capital maintenance is critical. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group - This account group is established to account for fixed assets of the City other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term debt of the City except those accounted for in the proprietary funds.

C. Basis of Accounting

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Accounting (Continued)

The modified accrual basis of accounting is followed by the governmental funds and the expendable trust and agency 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 for the City is considered 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 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. Revenue considered susceptible to accrual at year end includes income taxes withheld by employers, interest on investments, state levied locally shared taxes (including motor vehicle license fees and local government assistance). Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Income taxes other than those withheld by employers, licenses, permits, charges for service and other miscellaneous revenues are recorded as revenue when received in cash because generally this revenue is not measurable until received.

Special assessment installments including related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenue. Property taxes, which are measurable at December 31, 2001 but are not intended to finance 2001 operations, and delinquent property taxes whose availability is indeterminate, are recorded as deferred revenue as further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and the nonexpendable trust fund. Revenues are recognized when they are earned and expenses recognized when 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. 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 are legally required to be budgeted and appropriated; however, only governmental funds are 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.

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 2001.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)

3. Appropriations (Continued)

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 2001, 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 in the "Combined Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual--All Governmental Fund Types" are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Encumbrances outstanding at year end are reported as reservations of fund balances for subsequent year expenditures in the accompanying general purpose financial statements. However, encumbrances outstanding at year end are reported as expenditures in the budgetary basis statement in the general purpose financial statements.

5. 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.

6. 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgetary Process (Continued)6. Budgetary Basis of Accounting (Continued)

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

	Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Project Fund
GAAP Basis (as reported)	(\$748,248)	\$56,964	\$0	(\$1,363,314)
Increase (Decrease):				
Accrued Revenues at December 31, 2001 received during 2002	(2,952,155)	(1,645,529)	0	(48,191)
Accrued Revenues at December 31, 2000 received during 2001	4,459,143	1,409,122	0	56,154
Accrued Expenditures at December 31, 2001 paid during 2002	1,131,471	327,205	0	212,363
Accrued Expenditures at December 31, 2000 paid during 2001	(1,245,782)	(376,117)	0	(218,964)
2000 Prepays for 2001	43,681	10,704	0	0
2001 Prepays for 2002	(40,180)	(8,320)	0	0
Note Proceeds	0	450,000	0	1,425,000
Note Retirements	0	0	0	(2,300,000)
Outstanding Encumbrances	(582,334)	(143,481)	0	(637,845)
Budget Basis	<u>\$65,596</u>	<u>\$80,548</u>	<u>\$0</u>	<u>(\$2,874,797)</u>

E. Cash and Cash Equivalents

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. 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 the STAR Ohio during 2001. 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, 2001. See Note 4, "Cash, Cash Equivalents and Investments."

G. Inventory

Inventory is stated at cost in the governmental funds and at the lower of cost or market in the proprietary funds 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.

H. Fixed Assets and Depreciation

The accounting and reporting treatment applied to fixed assets is determined by their ultimate use:

1. Property, Plant and Equipment - General Governmental Purposes

Fixed assets acquired or constructed for general governmental purposes are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years) in the General Fixed Assets Account Group. Contributed fixed assets are recorded at fair market value at the date received.

Fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems, have not been capitalized. Such assets normally are immovable and of value only to the City; therefore, the purpose of stewardship for capital expenditures can be satisfied without recording these assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fixed Assets and Depreciation (Continued)

1. Property, Plant and Equipment - General Governmental Purposes (Continued)

The City has elected to record depreciation in the General Fixed Assets Account Group. Depreciation has been determined by allocating the cost of fixed assets over the estimated useful lives of the assets on a straight line basis over the following estimated useful lives:

Description	Estimated Lives (Years)
Buildings	40
Improvements other than Buildings	20 - 25
Machinery, Equipment, Furniture and Fixtures	3 - 10

2. Property, Plant and Equipment - Proprietary Funds

Property, plant and equipment acquired by the proprietary funds are stated at cost or estimated historical cost, including interest capitalized during construction, where applicable. Capitalized interest for 2001 is \$129,005 in the Water Fund. Contributed fixed assets are recorded at fair market value at the date received.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Estimated Lives (Years)
Buildings	40
Improvements other than Buildings	20 - 25
Machinery, Equipment, Furniture and Fixtures	3 - 10

I. Long-Term Obligations

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

Obligation	Fund
Ohio Water Development Authority Loans	General Bond Retirement Fund Water Fund, Water Pollution Fund Sanitation Fund
Ohio Public Works Commission Loan	General Bond Retirement Fund
Special Assessment Bond Payable	Special Assessment Retirement Fund

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Long-Term Obligations (Continued)

<u>Obligation</u>	<u>Fund</u>
Capital Leases	General Fund Street Construction, Maintenance and Repair Fund City Health District Fund General Bond Retirement Fund Utilities Collection Fund Electrical 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 City Health District Fund Community Development Block Grant Fund Gas Fund, Water Fund, Water Pollution Fund Sanitation Fund, Utilities Collection Fund Electrical Fund, Information Services Fund

J. 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.

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 up to a maximum of 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. For governmental funds, the portion of unpaid compensated absences expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." The remaining portion of the liability is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire compensated absences amount is reported as a fund liability.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Pensions

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

L. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds. Interfund transactions are generally classified as follows:

- Operating transfers are reported as "Other Financing Sources and Uses" in the governmental funds, as "Operating Transfers In" by the recipient fund and "Operating Transfers Out" by the disbursing fund.
- Residual Equity Transfers are nonroutine or nonrecurring transfers between funds and are reported as additions to or deductions from the fund equity balance. The City did not perform any residual equity transfers in 2001.

Transactions that would be treated as revenues and expenditures if the transactions involved organizations external to the City are similarly treated when involving other funds of the City. The City also advances cash from one fund to another as necessary to meet current obligations.

M. 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.

N. Contributed Capital

Depreciation on contributed fixed assets resulting from grants, entitlements and shared revenues received prior to December 31, 2000 is closed to contributed capital. Capital contributions received after December 31, 2000 are recorded as revenue in the proprietary funds.

O. Total Columns on Combined Financial Statements

Total columns on the combined financial statements are captioned "Memorandum Only" to indicate they are presented only to facilitate financial analysis. Data in these columns does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles, nor is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF FUND BALANCES/RETAINED EARNINGS

A. Prior Period Adjustments

The retained earnings balances at December 31, 2000 of the Gas, Water, Water Pollution, Sanitation, Utilities Collection, and Electrical Funds were restated from amounts previously reported to eliminate the reporting of Property, Plant and Equipment below the capitalization threshold, which was increased from \$750 to \$1,000. The General Fixed Asset account group was also restated from the balance previously reported of \$9,119,400 to \$9,074,676, a decrease of \$44,724.

In addition to the change in the capitalization level of the fixed assets, the City also corrected an error in accounting for retainage payable and made a reclassification of a fund from one fund type to another.

B. Changes in Accounting Principles

For the year ended December 31, 2001, the City has implemented GASB Statement No. 33 “Accounting and Financial Reporting for Nonexchange Transactions” and GASB Statement No. 36 “Recipient Reporting for Certain Shared Nonexchange Revenues.”

C. Restatement of Fund Balances/Retained Earnings

The changes to the beginning fund balances/retained earnings are as follows:

Description	General Fund	Special Revenue Funds	Capital Project Fund	Enterprise Funds	Internal Service Funds
Balance at December 31, 2000 (as reported)	\$5,327,795	\$2,908,411	\$1,961,030	\$27,048,492	\$741,902
Implementation of GASB 33 and 36	425,636	128,966	0	0	0
Reclassification of Fund	0	156,922	(156,922)	0	0
Recognition of Retainage Payable	0	0	(129,576)	0	0
Restatement of					
Property, Plant and Equipment	0	0	0	(30,965)	(16,473)
Restated Balance at December 31, 2000	<u>\$5,753,431</u>	<u>\$3,194,299</u>	<u>\$1,674,532</u>	<u>\$27,017,527</u>	<u>\$725,429</u>

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Equities

The fund deficit at December 31, 2001 of \$55,779 in the Parks and Recreation Fund (special revenue fund) is the result of recognizing notes payable as a liability under the modified accrual basis. The accumulated deficit of \$2,699,159 in the Sanitation Fund (enterprise fund) is the result of recognizing a liability for landfill postclosure care costs and loans payable to the Ohio Water Development Authority for landfill postclosure care costs. The accumulated deficit at December 31, 2001 of \$375,263 in the Health Insurance Management Fund (internal service fund) arises from the recognition of claims payable on the accrual basis. The General Fund provides operating transfers, upon City Council's approval when cash is required not when accruals occur.

B. Excess Expenditures over Appropriations

For the year ended December 31, 2001, expenditures exceeded appropriations at the object level (i.e., the legal level of budgetary control) as follows:

<u>Fund</u>	<u>Excess</u>
Special Revenue Funds:	
Lancaster Community Development:	
Community Environment:	
Personal Services	\$2,272
Drug Enforcement:	
Security of Persons and Property:	
Operations and Maintenance	17,558

The excess expenditures were funded from available fund balance.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds.

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.

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

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).

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. Based upon criteria described in GASB Statement No. 3, *"Deposits With Financial Institutions, Investments (including Repurchase Agreements) and Reverse Repurchase Agreements,"* collateral held in single financial institution collateral pools with securities being held by the pledging financial institution's agent in the pool's name are classified as Category 3.

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

The GASB has established risk categories for deposits and investments as follows:

Deposits:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investments:

- Category 1 Insured or registered with securities held by the City or its agent in the City's name.
- Category 2 Uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name.
- Category 3 Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

A. Deposits

At year end the carrying amount of the City's deposits was \$1,463,383 (including cash with fiscal agents) and the bank balance was \$1,868,395. Federal depository insurance covered \$482,000 of the bank balance. All remaining deposits were classified as Category 3. Although all statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investment earnings of \$823,125 earned by other funds was credited to the General Fund as required by state statute.

B. Investments

The City's investments at December 31, 2001 are summarized below:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
State and Local Securities	\$1,017,000	\$0	\$1,017,000
Repurchase Agreement	0	10,474,319	10,474,319
Total Categorized Investments	<u>1,017,000</u>	<u>10,474,319</u>	<u>11,491,319</u>
<u>Non-Categorized Investments</u>			
STAR Ohio	<u>N/A</u>	<u>N/A</u>	<u>10,500,000</u>
Total Non-Categorized Investments	<u>N/A</u>	<u>N/A</u>	<u>10,500,000</u>
Total Investments	<u>\$1,017,000</u>	<u>\$10,474,319</u>	<u>\$21,991,319</u>

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

C. Reconciliation of Cash, Cash Equivalents and Investments

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

A reconciliation between classifications of cash and investments on the combined 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 Combined Balance Sheet	\$21,185,149	\$2,269,553
Certificates of Deposit (with maturities of more than 3 months)	1,252,553	(1,252,553)
Investments:		
STAR Ohio	(10,500,000)	10,500,000
Repurchase Agreement	<u>(10,474,319)</u>	<u>10,474,319</u>
Per GASB Statement No. 3	<u>\$1,463,383</u>	<u>\$21,991,319</u>

* Includes Cash with Fiscal Agent

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2001 were levied after October 1, 2000 on assessed values as of January 1, 2000, 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 for tax year 1998. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 31; if paid semiannually, the first payment is due February and the remainder payable in July. Under certain circumstances, state statute permits later payment dates to be established.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 25% of its true value. Amounts paid by multi-county taxpayers are due September 20 of the year assessed. Single county taxpayers may pay annually or semi-annually, the first payment is due April 30; the remainder payable by September 20.

NOTE 5 - TAXES (Continued)

A. Property Taxes (Continued)

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

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

The full tax rate for the City's operations for the year ended December 31, 2001 was \$3.40 per \$1,000 of assessed value. The assessed value upon which the 2001 property tax receipts were based was \$580,459,833. This amount constitutes \$470,130,350 in real property assessed value, \$92,941,903 in tangible personal property assessed value and \$17,387,580 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 1.6%, .6% 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. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

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

NOTE 6 - RECEIVABLES

Receivables at December 31, 2001 consisted of taxes, accounts, interest, loans and intergovernmental receivables arising from shared revenues.

NOTE 7 – DUE FROM/DUE TO OTHER FUNDS

Interfund balances at December 31, 2001 consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$83,808	\$0
Special Revenue Funds:		
Indigent Drivers Alcohol Treatment	785	0
Law Enforcement and Education	340	0
Municipal Court Computerization	8,695	
Municipal Court Special Projects	<u>7,140</u>	<u>0</u>
Total Special Revenue Funds	16,960	0
Enterprise Fund:		
Sanitation	0	31,983
Agency Funds:		
Municipal Court	0	72,853
Law Library	<u>4,068</u>	<u>0</u>
Total Agency Funds	<u>4,068</u>	<u>72,853</u>
Totals	<u>\$104,836</u>	<u>\$104,836</u>

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NOTE 8 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for 2001:

Fund	Transfer In	Transfer Out
General Fund	\$33,000	\$2,999,662
Special Revenue Funds:		
Cemetery	298,740	0
Street Construction, Maintenance and Repair	1,137,022	0
Lancaster Public Transit Program	39,105	0
Family Violence Grant	15,639	0
Law Director Victim Assistance	10,500	0
Law Enforcement Block Grant	3,924	0
City Health District	392,400	0
State Highway	0	66,000
Total Special Revenue Funds	1,897,330	66,000
Debt Service Funds:		
General Bond Retirement	63,043	0
Special Assessment Debt Retirement	0	215,585
Total Debt Service Funds	63,043	215,585
Capital Projects Fund:		
Capital Improvement	1,297,175	0
Enterprise Fund:		
Gas	32,000	0
Nonexpendable Trust Fund:		
Cemetery Trust	0	41,301
Totals	<u>\$3,322,548</u>	<u>\$3,322,548</u>

NOTE 9 - FIXED ASSETS

A. General Fixed Assets

Summary by Category of Changes in General Fixed Assets:

Category	Restated	Additions	Deletions	December 31,
	December 31,			2001
	2000			
Land	\$1,546,686	\$450,000	\$0	\$1,996,686
Buildings	5,318,477	819,082	(10,000)	6,127,559
Improvements				
Other than Buildings	4,484,726	312,187	(55,000)	4,741,913
Vehicles	3,295,471	514,090	(80,809)	3,728,752
Equipment	3,520,633	391,486	(32,598)	3,879,521
Totals	18,165,993	2,486,845	(178,407)	20,474,431
Less: Accumulated				
Depreciation	(9,126,136)	(1,180,331)	170,533	(10,135,934)
Construction in Progress	34,819	5,122	(5,740)	34,201
Net	\$9,074,676	\$1,311,636	(\$13,614)	\$10,372,698

B. Proprietary Fixed Assets

Summary by Category at December 31, 2001:

Category	Historic Cost	Accumulated Depreciation	Book Value
Enterprise			
Land	\$1,145,029	\$0	\$1,145,029
Buildings	13,676,460	(5,284,312)	8,392,148
Improvements	31,376,329	(11,209,011)	20,167,318
Infrastructure	29,271,377	(15,696,454)	13,574,923
Machinery and Equipment	5,839,225	(4,452,663)	1,386,562
Vehicles	2,659,767	(1,964,448)	695,319
Construction in Progress	6,640,991	0	6,640,991
Property, Plant and Equipment	\$90,609,178	(\$38,606,888)	\$52,002,290
Internal Service			
Buildings	\$88,880	(\$52,371)	\$36,509
Improvements	26,261	(14,001)	12,260
Infrastructure	918,459	(609,020)	309,439
Machinery and Equipment	643,612	(410,453)	233,159
Vehicles	352,875	(284,715)	68,160
Property, Plant and Equipment	\$2,030,087	(\$1,370,560)	\$659,527

NOTE 10 – DEFINED BENEFIT PENSION PLANS

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

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

The following information was provided by the PERS of Ohio 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 the PERS of Ohio, a cost-sharing multiple employer defined benefit pension plan. The PERS of Ohio provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Chapter 145 of the Ohio Revised Code provides statutory authority to establish and amend benefits. The Public Employees Retirement System of Ohio issues a stand-alone financial report that includes financial statements and required supplementary information for the PERS of Ohio. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 466-2085 or 1-800-222-7377.

The Ohio Revised Code provides statutory authority for employee and employer contributions. The employee contribution rate is 8.5%. The 2001 employer contribution rate for local government employer units was 13.55%, of covered payroll, 9.25% to fund the pension and 4.3% 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 PERS of Ohio for the years ending December 31, 2001, 2000 and 1999 were \$1,523,934, \$1,195,547 and \$1,374,219, respectively, which were equal to the required contributions for each year.

The PERS of Ohio provides postemployment health care benefits to age and service retirants with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is also available. The health care coverage provided by the PERS of Ohio is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the PERS of Ohio 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 PERS of Ohio. The portion of the 2001 employer contribution rate (identified above) that was used to fund health care for the year 2001 was 4.3% of covered payroll which amounted to \$483,610.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the PERS of Ohio's latest actuarial review performed as of December 31, 2000. An entry age normal 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

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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. The investment assumption rate for 2000 was 7.75%. An annual increase of 4.75% 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 4.75% base increase, were assumed to range from 0.54% to 5.1%. Health care costs were assumed to increase 4.75% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 411,076. The actuarial value of the PERS of Ohio net assets available for OPEB at December 31, 2000 is \$11,735.9 million. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$14,364.6 million and \$2,628.7 million, respectively.

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, 2001, 2000 and 1999 were \$500,674, \$488,541 and \$455,617 for police and \$805,188, \$820,990 and \$750,809 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.

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The portion of the 2001 covered payroll that was used to fund postemployment health care benefits was \$192,567 representing 7.5% of covered payroll for police and \$251,621 representing 7.5% 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. As of December 31, 2000, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 12,853 for police and 10,037 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, 2000 were \$106,160,054, which was net of member contributions of \$5,657,431.

NOTE 11 - 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 Land Acquisition and Rising Park Improvements. These are recorded as an investment in the General Fund.

	Maturity Date	Balance January 1, 2001	Issued (Retired)	Balance December 31, 2001
Special Revenue Fund Notes Payable:				
(Parks and Recreation Fund)				
3.50%	Land Acquisition	11/27/2002	\$0	\$450,000
Capital Projects Notes Payable:				
3.50%	Rising Park Improvement	12/20/2002	0	200,000
4.50%	Rising Park Improvement	12/20/2001	300,000	(300,000)
4.75%	Law Enforcement Building	11/16/2002	0	600,000
2.60%	Law Enforcement Building	11/16/2001	700,000	(700,000)
3.75%	Downtown Revitalization	4/26/2002	0	625,000
4.55%	Downtown Revitalization	4/26/2001	1,300,000	(1,300,000)
Total Capital Projects Notes Payable			2,300,000	(875,000)
Water Fund Notes Payable:				
4.00%	Water System Improvement	5/25/2001	745,000	(745,000)
4.00%	Water System Improvement	10/4/2001	1,452,600	(1,452,600)
Total Enterprise Fund Notes Payable			2,197,600	(2,197,600)
Total Notes Payable			\$4,497,600	(\$2,622,600)
				\$1,875,000

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2001 were as follows:

	Balance December 31, 2000	Issued (Retired)	Balance December 31, 2001
Enterprise Funds:			
Ohio Water Development Authority Loans (OWDA):			
2001 4.14% Water Transmission Line/Waste Force Main	\$0	\$5,180,012	\$5,180,012
2001 3.90% Water Treatment Plant/Clearwells/Wellfield	0	4,399,984	4,399,984
1989 8.48% Water Pollution Control Plant	7,378,447	(332,630)	7,045,817
1990 7.74% Water Pollution Control Plant (Supplement)	153,880	(7,281)	146,599
1993 2.94% Water Pollution Control Plant (Supplement)	10,776,508	(594,562)	10,181,946
1996 3.16% Water Pollution Control Plant (Supplement)	4,351,073	(213,359)	4,137,714
1997 3.98% Landfill Postclosure Care	3,621,899	(146,756)	3,475,143
Total Ohio Water Development Authority Loans	<u>26,281,807</u>	<u>8,285,408</u>	<u>34,567,215</u>
Total Enterprise Long-Term Debt	<u>\$26,281,807</u>	<u>\$8,285,408</u>	<u>\$34,567,215</u>
Internal Service Funds:			
Capital Leases	\$60,288	(\$20,506)	\$39,782
Total Internal Service Long-Term Debt	<u>\$60,288</u>	<u>(\$20,506)</u>	<u>\$39,782</u>
General Long-Term Debt:			
Special Assessment Bond Payable			
with Governmental Commitment	\$0	\$367,000	\$367,000
Total General Long-Term Debt	<u>0</u>	<u>367,000</u>	<u>367,000</u>
Other Long-Term Obligations:			
Housing and Urban Development Loan Payable	1,480,000	(90,000)	1,390,000
Ohio Public Works Commission Loan Payable	104,431	17,290	121,721
		(3,043)	118,678
Ohio Water Development Authority Loan Payable	2,000,000	0	2,000,000
Compensated Absences	1,583,969	24,676	1,608,645
Capital Leases	1,196,705	301,883	1,498,588
		(307,461)	1,191,127
Total Other Long-Term Obligations	<u>6,365,105</u>	<u>(56,655)</u>	<u>6,308,450</u>
Total General Long-Term Debt and Other Long-Term Obligations	<u>\$6,365,105</u>	<u>\$310,345</u>	<u>\$6,675,450</u>

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.

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

A. Ohio Water Development Authority Loans

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 approximately \$13,751,941. The amount is subject to change and has not been finalized. The interest rate on this loan is 2.94% per annum. This loan, like other OWDA loans, is payable from sanitary sewerage charges. Uniquely, the loan can only be received by the City in increments as the project is completed. As of December 31, 2001, the City had received \$13,502,148 from OWDA. The City began repaying the loan in semiannual payments in 1996 based on a loan amount of \$13,751,941 to be paid through 2016. An estimate of future financing requirements has been made based on the actual remaining loan balance of \$10,181,946 at December 31, 2001.

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 approximately \$5,234,745. The amount is subject to change and has not been finalized. The interest rate on this loan is 3.16% per annum. This loan, like other OWDA loans, is payable from sanitary sewerage charges and is received by the City in increments as the project is completed. As of December 31, 2001, the City had received \$5,047,247 from OWDA. The City began repaying the loan in semiannual payments beginning in 1997 based on a loan amount of \$5,234,745 to be paid through 2017. An estimate of future financing requirements has been made based on the remaining loan balance of \$4,137,714 at December 31, 2001.

In 1998, 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, 2001, 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 \$3,475,143 at December 31, 2001.

In 2001, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive two loans of \$5,591,825 and \$20,905,653, respectively. The amounts are subject to change and have not been finalized. The interest rates on the loans are 4.14% and 3.9%, respectively, per annum. This loans are payable from water charges and are received by the City in increments as the projects are completed. As of December 31, 2001, the City had received \$5,180,012 and \$4,399,984, respectively from OWDA. Subsequent amounts will be received in future years. An estimate of future financing requirements has been made based on the loan balances of \$5,180,012 and \$4,399,984, respectively at December 31, 2001.

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

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, 2001 follows:

Years	OWDA Loans		HUD Loan		OPWC Loan		Special Assessment Bond Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2002	\$1,413,705	\$1,336,957	\$90,000	\$83,457	\$6,086	\$0	\$11,000	\$18,350
2003	1,713,902	1,547,328	90,000	78,597	6,086	0	11,500	17,800
2004	3,792,408	1,468,821	90,000	73,647	6,086	0	12,000	17,225
2005	1,875,333	1,325,896	90,000	68,625	6,086	0	13,000	16,625
2006	1,962,972	1,238,258	90,000	63,522	6,086	0	13,500	15,975
2007-2011	11,318,312	4,687,835	450,000	239,004	30,430	0	78,000	69,075
2012-2016	10,346,232	1,834,922	450,000	100,674	30,430	0	100,000	47,500
2017-2022	4,144,351	481,311	40,000	2,664	27,388	0	128,000	19,825
Totals	\$36,567,215	\$13,921,328	\$1,390,000	\$710,190	\$118,678	\$0	\$367,000	\$222,375

NOTE 13 - CAPITALIZED LEASES

Under capital leases the City leases three copiers, seven police cruisers, two street sweepers, two salt spreaders, two pickup trucks, a dump truck, a utility vehicle, mailing equipment and various building improvements. The cost of the improvements and equipment obtained under capital leases is included in the appropriate proprietary fund or the General Fixed Assets Account Group and the related liability is included in the appropriate proprietary fund or the General Long-Term Obligations Account Group. The original cost of the assets acquired under capital lease was \$1,664,618.

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, 2001:

Year Ending December 31,	General Long-Term Obligation Account Group	Proprietary Funds
2002	\$279,581	\$24,848
2003	216,355	18,225
2004	212,900	0
2005	210,538	0
2006	210,538	0
2007-2009	326,532	0
Minimum Lease Payments	1,456,444	43,073
Less amount representing interest at the City's incremental borrowing rate of interest	(265,317)	(3,291)
Present value of minimum lease payments	\$1,191,127	\$39,782

NOTE 14 - 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 2001, the City contracted with The Cincinnati Insurance Company for vehicles, property and general liability insurance while police and professional liability are protected by The National Casualty Company.

Insurance for property holds a \$500 deductible, general liability holds a \$5,000 deductible, and medic units and fire trucks hold a \$1,000 deductible. The City carries a \$25,000 deductible for both police and professional liability insurance.

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.

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 Management, Inc., which monitors all claim payments, administers the plan. Professional Risk Management, Inc. was the third party administrator through June 30, 2001. An excess coverage insurance policy premium covers individual claims in excess of \$50,000. There is a lifetime maximum coverage per person of \$3,000,000 and an annual maximum coverage of \$1,000,000 per person.

The claims liability of \$608,406 reported in the fund at December 31, 2001 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>
2000	\$338,162	\$3,228,242	(\$2,997,633)	\$568,771
2001	568,771	3,706,915	(3,667,280)	608,406

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

NOTE 15 - CONSTRUCTION COMMITMENTS

As of December 31, 2001, the City had the following commitments with respect to capital improvements:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
South Water Plant	\$16,923,889	December 2002

NOTE 16 - CONTRIBUTED CAPITAL

A schedule of changes in contributed capital is presented below:

	Enterprise			Internal Service
	Water	Water Pollution	Total	Electrical
Balance at Beginning of Year	\$6,988	\$2,584,586	\$2,591,574	\$84,751
Reductions:				
Depreciation on Fixed Assets	0	(184,696)	(184,696)	0
Balance at End of Year	<u>\$6,988</u>	<u>\$2,399,890</u>	<u>\$2,406,878</u>	<u>\$84,751</u>

NOTE 17 - SEGMENT INFORMATION

Included in the services provided by the City which are financed primarily by user charges are gas service, water treatment and distribution, wastewater collection and treatment, and refuse collection and disposal. The key financial information for the year ended December 31, 2001 for these enterprise activities is as follows:

	Gas	Water	Water		Total
			Pollution	Sanitation	
Operating Revenues	\$20,938,451	\$5,776,886	\$5,776,979	\$3,226,228	\$35,718,544
Depreciation	376,534	641,290	1,800,710	136,863	2,955,397
Operating Income (Loss)	(2,969,460)	1,373,683	924,097	640,055	(31,625)
Operating Transfers In	32,000	0	0	0	32,000
Advances Out	(900,000)	0	0	0	(900,000)
Net Income (Loss)	(2,486,992)	1,317,750	(175,084)	523,568	(820,758)
Property, Plant and Equipment:					
Additions	1,646,293	9,359,152	580,859	644,661	12,230,965
Deletions	(3,000)	(98,273)	0	(292,700)	(393,973)
Total Assets	10,975,024	25,131,591	33,110,969	3,277,345	72,494,929
Net Working Capital	1,073,734	5,698,359	6,329,891	864,097	13,966,081
Loans Payable	0	9,579,996	21,512,076	3,475,143	34,567,215
Total Equity/ (Accumulated Deficit)	5,993,883	14,533,226	10,960,393	(2,699,159)	28,788,343

NOTE 18 - 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 \$2,224,292. 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 \$462,539 which has been placed in an escrow account. The estimated costs of postclosure care are subject to changes corresponding to the effects of inflation, revision of laws and other variables.

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS

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

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

B. Community Action Board (the "Board")

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

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

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

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

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

The Committee is a group of agencies that coordinates the provision of services to multi-need youth in the area. Members of the Committee include representatives of the Fairfield County Youth Services, the Fairfield County Board of MRDD, the Fairfield County Juvenile Court, the Fairfield County Board of Education, the Fairfield County ADAMHS Board, the Fairfield County Children Services, the Fairfield County Health Department, New Horizons, the local office of the Rehabilitation Services Commission, the Fairfield Drug and Alcohol Recovery Center, the Lancaster City Health Department, 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.

NOTE 19 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

H. 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. 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 20 - 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, 2001 to December 31, 2001, 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.

***C*OMBINING AND *I*NDIVIDUAL *F*UND AND *A*CCOUNT *G*ROUP
*S*TATEMENTS AND *S*CHEDULES**

***T*HE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE THE
GENERAL FUND, SPECIAL REVENUE FUNDS, DEBT SERVICE FUNDS,
ENTERPRISE FUNDS, INTERNAL SERVICE FUNDS, FIDUCIARY FUNDS AND
THE GENERAL FIXED ASSETS ACCOUNT GROUP.**



GENERAL FUND

The General Fund is used to account for government resources not accounted for in any other 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.

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2001

GENERAL FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$12,651,774	\$12,141,824	(\$509,950)
Intergovernmental Revenues	3,109,902	3,100,618	(9,284)
Charges for Services	1,037,932	1,100,852	62,920
Licenses, Permits and Fees	30,677	15,891	(14,786)
Investment Earnings	1,263,300	1,023,665	(239,635)
Fines and Forfeitures	791,518	805,082	13,564
All Other Revenues	480,170	526,191	46,021
Total Revenues	19,365,273	18,714,123	(651,150)
<u>Expenditures:</u>			
Security of Persons and Property:			
Police:			
Personal Services	4,831,023	4,619,414	211,609
Operations and Maintenance	590,382	501,539	88,843
Capital Outlay	341,161	339,460	1,701
Total Police	5,762,566	5,460,413	302,153
Fire:			
Personal Services	5,017,000	4,930,605	86,395
Operations and Maintenance	393,082	351,920	41,162
Capital Outlay	276,375	272,432	3,943
Total Fire	5,686,457	5,554,957	131,500
Street Lighting:			
Operations and Maintenance	202,055	192,806	9,249
Total Street Lighting	202,055	192,806	9,249
Total Security of Persons and Property	11,651,078	11,208,176	442,902
Public Health and Welfare Services:			
Assistance to Needy:			
Operations and Maintenance	500	0	500
Total Public Health and Welfare Services	500	0	500
Leisure Time Activities:			
Mumaugh Memorial:			
Operations and Maintenance	15,500	15,493	7
Capital Outlay	3,000	3,000	0
Total Leisure Time Activities	18,500	18,493	7

(Continued)

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2001

GENERAL FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Community Environment:			
Zoning, Planning, Tree Commissions:			
Operations and Maintenance	71,836	64,121	7,715
Total Community Environment	<u>71,836</u>	<u>64,121</u>	<u>7,715</u>
General Government:			
Council:			
Personal Services	82,936	82,934	2
Operations and Maintenance	3,790	1,016	2,774
Capital Outlay	2,422	2,422	0
Total Council	<u>89,148</u>	<u>86,372</u>	<u>2,776</u>
Mayor:			
Personal Services	126,768	125,467	1,301
Operations and Maintenance	8,066	5,580	2,486
Capital Outlay	2,300	2,198	102
Total Mayor	<u>137,134</u>	<u>133,245</u>	<u>3,889</u>
Personnel:			
Personal Services	98,164	93,615	4,549
Operations and Maintenance	21,364	20,758	606
Capital Outlay	4,797	4,530	267
Total Personnel	<u>124,325</u>	<u>118,903</u>	<u>5,422</u>
Auditor:			
Personal Services	309,008	302,866	6,142
Operations and Maintenance	40,221	36,886	3,335
Capital Outlay	40,323	38,859	1,464
Total Auditor	<u>389,552</u>	<u>378,611</u>	<u>10,941</u>
Treasurer:			
Personal Services	20,678	20,532	146
Operations and Maintenance	1,300	510	790
Total Treasurer	<u>21,978</u>	<u>21,042</u>	<u>936</u>
Law Director:			
Personal Services	410,241	393,195	17,046
Operations and Maintenance	132,892	112,161	20,731
Capital Outlay	30,391	30,053	338
Total Law Director	<u>573,524</u>	<u>535,409</u>	<u>38,115</u>

(Continued)

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2001

GENERAL FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Municipal Court:			
Personal Services	528,334	499,335	28,999
Operations and Maintenance	68,244	66,555	1,689
Total Municipal Court	<u>596,578</u>	<u>565,890</u>	<u>30,688</u>
Judicial:			
Personal Services	424,637	413,413	11,224
Operations and Maintenance	93,963	48,251	45,712
Total Judicial	<u>518,600</u>	<u>461,664</u>	<u>56,936</u>
Civil Service:			
Personal Services	3,000	0	3,000
Operations and Maintenance	50,487	43,427	7,060
Total Civil Service	<u>53,487</u>	<u>43,427</u>	<u>10,060</u>
City Hall Maintenance:			
Personal Services	100,037	96,797	3,240
Operations and Maintenance	73,018	64,079	8,939
Total City Hall Maintenance	<u>173,055</u>	<u>160,876</u>	<u>12,179</u>
Service Safety Director:			
Personal Services	122,827	121,450	1,377
Operations and Maintenance	14,798	13,412	1,386
Capital Outlay	14,655	14,439	216
Total Service Safety Director	<u>152,280</u>	<u>149,301</u>	<u>2,979</u>
Engineer:			
Personal Services	673,159	659,327	13,832
Operations and Maintenance	76,955	58,184	18,771
Capital Outlay	65,330	57,081	8,249
Total Engineer	<u>815,444</u>	<u>774,592</u>	<u>40,852</u>
Administration Support:			
Personal Services	46,394	46,394	0
Operations and Maintenance	296,810	273,904	22,906
Total Administration Support	<u>343,204</u>	<u>320,298</u>	<u>22,906</u>
Miscellaneous:			
Personal Services	386,371	384,329	2,042
Operations and Maintenance	938,920	903,360	35,560
Capital Outlay	10,000	3,500	6,500
Total Miscellaneous	<u>1,335,291</u>	<u>1,291,189</u>	<u>44,102</u>

(Continued)

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FOR THE YEAR ENDED DECEMBER 31, 2001

GENERAL FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Income Tax:			
Personal Services	329,614	312,866	16,748
Operations and Maintenance	373,116	354,603	18,513
Capital Outlay	53,115	52,787	328
Total Income Tax	<u>755,845</u>	<u>720,256</u>	<u>35,589</u>
Total General Government	<u>6,079,445</u>	<u>5,761,075</u>	<u>318,370</u>
Total Expenditures	<u>17,821,359</u>	<u>17,051,865</u>	<u>769,494</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,543,914	1,662,258	118,344
Other Financing Sources (Uses):			
Operating Transfers In	583,505	503,000	(80,505)
Operating Transfers Out	(2,999,662)	(2,999,662)	0
Advances In	0	960,000	960,000
Advances Out	<u>(60,000)</u>	<u>(60,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(2,476,157)</u>	<u>(1,596,662)</u>	<u>879,495</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(932,243)	65,596	997,839
Fund Balance at Beginning of Year	1,718,634	1,718,634	0
Prior Year Encumbrances	620,398	620,398	0
Fund Balance at End of Year	<u>\$1,406,789</u>	<u>\$2,404,628</u>	<u>\$997,839</u>

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.

Lancaster Public Transit Program Fund

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

Family Violence Grant Fund

To account for grant funds for family drug abuse assistance and domestic violence assistance.

Law Director Victim Assistance Fund

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

Lancaster Community Development Fund

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

Law Enforcement Block Grant Fund

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

Police and Fire Pension Fund

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

(Continued)

SPECIAL REVENUE FUNDS

City Health District Fund

To account for the monies collected for health services provided to the community and for monies received from federal, state and local governments for health protection.

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 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.

Drug Enforcement Fund

To account for monies received from fines to be used for drug enforcement activities.

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.

THE CITY OF LANCASTER, OHIO
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
DECEMBER 31, 2001

	Cemetery	Street Construction, Maintenance and Repair	Parks and Recreation	Lancaster Public Transit Program
<u>Assets:</u>				
Cash and Cash Equivalents	\$108,972	\$677,110	\$207,494	\$55,236
Receivables (net of allowances for doubtful accounts)				
Taxes	19,337	0	290,052	0
Accounts	63,239	0	6,846	0
Interest	0	0	0	0
Loans	0	0	0	0
Due from Other Funds	0	0	0	0
Intergovernmental Receivables	0	628,955	0	15,108
Inventory of Supplies at Cost	2,361	129,293	4,251	0
Prepaid Items	1,004	3,803	3,195	0
<u>Restricted Assets:</u>				
Cash and Cash Equivalents	0	0	0	0
Total Assets	<u>\$194,913</u>	<u>\$1,439,161</u>	<u>\$511,838</u>	<u>\$70,344</u>
<u>Liabilities and Fund Equity:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$5,589	\$19,005	\$16,841	\$17,422
Accrued Wages and Benefits	27,014	94,548	49,440	0
Accrued Interest Payables	0	0	1,467	0
Deferred Revenue	3,325	419,000	49,869	4,736
General Obligation Notes Payable	0	0	450,000	0
Total Liabilities	<u>35,928</u>	<u>532,553</u>	<u>567,617</u>	<u>22,158</u>
<u>Fund Equity:</u>				
Reserved for Encumbrances	2,709	41,560	1,115	680
Reserved for Supplies Inventory	2,361	129,293	4,251	0
Reserved for Prepaid Items	1,004	3,803	3,195	0
Reserved for Loans Receivable	0	0	0	0
Unreserved	152,911	731,952	(64,340)	47,506
Total Fund Equity	<u>158,985</u>	<u>906,608</u>	<u>(55,779)</u>	<u>48,186</u>
Total Liabilities and Fund Equity	<u>\$194,913</u>	<u>\$1,439,161</u>	<u>\$511,838</u>	<u>\$70,344</u>

THE CITY OF LANCASTER, OHIO
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
DECEMBER 31, 2001

Family Violence Grant	Law Director Victim Assistance	Lancaster Community Development	Law Enforcement Block Grant	Police and Fire Pension
\$16,662	\$15,590	\$37,318	\$64,608	\$0
0	0	0	0	345,582
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	11,179	0	0	18,000
0	0	1,209	0	0
0	0	0	0	0
0	0	0	0	0
<u>\$16,662</u>	<u>\$26,769</u>	<u>\$38,527</u>	<u>\$64,608</u>	<u>\$363,582</u>
\$0	\$0	\$166	\$4,800	\$0
3,285	2,310	10,879	0	0
0	0	0	0	0
0	11,179	0	0	363,582
0	0	0	0	0
<u>3,285</u>	<u>13,489</u>	<u>11,045</u>	<u>4,800</u>	<u>363,582</u>
0	0	0	34,321	0
0	0	1,209	0	0
0	0	0	0	0
0	0	0	0	0
<u>13,377</u>	<u>13,280</u>	<u>26,273</u>	<u>25,487</u>	<u>0</u>
<u>13,377</u>	<u>13,280</u>	<u>27,482</u>	<u>59,808</u>	<u>0</u>
<u>\$16,662</u>	<u>\$26,769</u>	<u>\$38,527</u>	<u>\$64,608</u>	<u>\$363,582</u>

(Continued)

THE CITY OF LANCASTER, OHIO
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
DECEMBER 31, 2001

	City Health District	Fairfield County Court Surveillance	Indigent Drivers Alcohol Treatment	Law Enforcement and Education
<u>Assets:</u>				
Cash and Cash Equivalents	\$21,945	\$20,033	\$242,307	\$47,774
Receivables (net of allowances for doubtful accounts)				
Taxes	0	0	0	0
Accounts	74,797	0	0	0
Interest	0	0	0	0
Loans	0	0	0	0
Due from Other Funds	0	0	785	340
Intergovernmental Receivables	0	34,340	0	0
Inventory of Supplies at Cost	23,733	0	0	0
Prepaid Items	318	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	0
Total Assets	\$120,793	\$54,373	\$243,092	\$48,114
<u>Liabilities and Fund Equity:</u>				
Liabilities:				
Accounts Payable	\$804	\$182	\$0	\$0
Accrued Wages and Benefits	50,314	4,688	0	0
Accrued Interest Payables	0	0	0	0
Deferred Revenue	0	17,170	0	0
General Obligation Notes Payable	0	0	0	0
Total Liabilities	51,118	22,040	0	0
Fund Equity:				
Reserved for Encumbrances	0	0	0	0
Reserved for Supplies Inventory	23,733	0	0	0
Reserved for Prepaid Items	318	0	0	0
Reserved for Loans Receivable	0	0	0	0
Unreserved	45,624	32,333	243,092	48,114
Total Fund Equity	69,675	32,333	243,092	48,114
Total Liabilities and Fund Equity	\$120,793	\$54,373	\$243,092	\$48,114

THE CITY OF LANCASTER, OHIO
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
DECEMBER 31, 2001

Municipal Court Computerization	Municipal Court Special Projects	Drug Enforcement	Community Development Block Grant	State Highway	Totals
\$117,306	\$194,116	\$34,780	\$98,945	\$185,142	\$2,145,338
0	0	0	0	0	654,971
0	0	0	0	0	144,882
0	0	0	0	904	904
0	0	0	989,057	0	989,057
8,695	7,140	0	0	0	16,960
0	0	0	956,891	27,134	1,691,607
0	0	0	0	0	160,847
0	0	0	0	0	8,320
0	0	0	50,548	0	50,548
<u>\$126,001</u>	<u>\$201,256</u>	<u>\$34,780</u>	<u>\$2,095,441</u>	<u>\$213,180</u>	<u>\$5,863,434</u>
\$17,766	\$685	\$0	\$0	\$0	\$83,260
0	0	0	0	0	242,478
0	0	0	0	0	1,467
0	0	0	956,891	18,000	1,843,752
0	0	0	0	0	450,000
<u>17,766</u>	<u>685</u>	<u>0</u>	<u>956,891</u>	<u>18,000</u>	<u>2,620,957</u>
10,066	6,385	0	0	0	96,836
0	0	0	0	0	160,847
0	0	0	0	0	8,320
0	0	0	989,057	0	989,057
98,169	194,186	34,780	149,493	195,180	1,987,417
<u>108,235</u>	<u>200,571</u>	<u>34,780</u>	<u>1,138,550</u>	<u>195,180</u>	<u>3,242,477</u>
<u>\$126,001</u>	<u>\$201,256</u>	<u>\$34,780</u>	<u>\$2,095,441</u>	<u>\$213,180</u>	<u>\$5,863,434</u>

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Cemetery	Street Construction, Maintenance and Repair	Parks and Recreation	Lancaster Public Transit Program
Revenues:				
Taxes	\$68,724	\$0	\$1,030,865	\$0
Intergovernmental Revenues	0	1,444,470	0	554,609
Charges for Services	197,282	0	280,377	94,446
Licenses, Permits and Fees	0	0	15,052	0
Investment Earnings	0	0	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenues	2,050	5,936	19,392	0
Total Revenues	268,056	1,450,406	1,345,686	649,055
Expenditures:				
Current:				
Security of Persons and Property	0	0	0	0
Public Health and Welfare Services	536,429	0	0	0
Leisure Time Activities	0	0	1,834,268	0
Community Environment	0	0	0	0
Transportation	0	2,614,446	0	659,008
General Government	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	1,467	0
Total Expenditures	536,429	2,614,446	1,835,735	659,008
Excess (Deficiency) of Revenues Over (Under) Expenditures	(268,373)	(1,164,040)	(490,049)	(9,953)
Other Financing Sources (Uses):				
Operating Transfers In	298,740	1,137,022	0	39,105
Operating Transfers Out	0	0	0	0
Other Financing Sources - Capital Lease	0	189,309	0	0
Total Other Financing Sources (Uses)	298,740	1,326,331	0	39,105
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	30,367	162,291	(490,049)	29,152
Restated Fund Balance at Beginning of Year	128,802	752,079	436,002	19,034
Increase (Decrease) in Inventory Reserve	(184)	(7,762)	(1,732)	0
Fund Balance (Deficit) at End of Year	\$158,985	\$906,608	(\$55,779)	\$48,186

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

Family Violence Grant	Law Director Victim Assistance	Lancaster Community Development	Law Enforcement Block Grant	Police and Fire Pension
\$0	\$0	\$0	\$0	\$349,905
46,915	20,504	132,453	37,998	36,195
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
46,915	20,504	132,453	37,998	386,100
49,177	36,642	0	83,544	386,100
0	0	0	0	0
0	0	0	0	0
0	0	138,111	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
49,177	36,642	138,111	83,544	386,100
(2,262)	(16,138)	(5,658)	(45,546)	0
15,639	10,500	0	3,924	0
0	0	0	0	0
0	0	0	0	0
15,639	10,500	0	3,924	0
13,377	(5,638)	(5,658)	(41,622)	0
0	18,918	33,272	101,430	0
0	0	(132)	0	0
<u>\$13,377</u>	<u>\$13,280</u>	<u>\$27,482</u>	<u>\$59,808</u>	<u>\$0</u>

(Continued)

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	City Health District	Fairfield County Court Surveillance	Indigent Drivers Alcohol Treatment	Law Enforcement and Education
Revenues:				
Taxes	\$0	\$0	\$0	\$0
Intergovernmental Revenues	187,846	70,172	0	0
Charges for Services	559,645	0	0	0
Licenses, Permits and Fees	0	0	0	0
Investment Earnings	0	0	0	0
Fines and Forfeitures	0	0	35,649	3,916
All Other Revenues	5,389	0	0	0
Total Revenues	752,880	70,172	35,649	3,916
Expenditures:				
Current:				
Security of Persons and Property	0	72,403	0	0
Public Health and Welfare Services	1,119,511	0	0	0
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Transportation	0	0	0	0
General Government	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	1,119,511	72,403	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(366,631)	(2,231)	35,649	3,916
Other Financing Sources (Uses):				
Operating Transfers In	392,400	0	0	0
Operating Transfers Out	0	0	0	0
Other Financing Sources - Capital Lease	0	0	0	0
Total Other Financing Sources (Uses)	392,400	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	25,769	(2,231)	35,649	3,916
Restated Fund Balance at Beginning of Year	42,882	34,564	207,443	44,198
Increase (Decrease) in Inventory Reserve	1,024	0	0	0
Fund Balance (Deficit) at End of Year	\$69,675	\$32,333	\$243,092	\$48,114

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

Municipal Court Computerization	Municipal Court Special Projects	Drug Enforcement	Community Development Block Grant	State Highway	Totals
\$0	\$0	\$0	\$0	\$0	\$1,449,494
0	0	0	793,940	55,724	3,380,826
0	0	0	0	0	1,131,750
0	0	0	0	0	15,052
0	0	351	4,460	20,418	25,229
128,520	108,045	8,845	0	0	284,975
0	0	0	0	0	32,767
128,520	108,045	9,196	798,400	76,142	6,320,093
0	0	17,558	0	0	645,424
0	0	0	0	0	1,655,940
0	0	0	0	0	1,834,268
0	0	0	412,845	0	550,956
0	0	0	0	0	3,273,454
79,636	64,396	0	0	0	144,032
0	0	0	90,000	0	90,000
0	0	0	88,227	0	89,694
79,636	64,396	17,558	591,072	0	8,283,768
48,884	43,649	(8,362)	207,328	76,142	(1,963,675)
0	0	0	0	0	1,897,330
0	0	0	0	(66,000)	(66,000)
0	0	0	0	0	189,309
0	0	0	0	(66,000)	2,020,639
48,884	43,649	(8,362)	207,328	10,142	56,964
59,351	156,922	43,142	931,222	185,038	3,194,299
0	0	0	0	0	(8,786)
<u>\$108,235</u>	<u>\$200,571</u>	<u>\$34,780</u>	<u>\$1,138,550</u>	<u>\$195,180</u>	<u>\$3,242,477</u>

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

CEMETERY FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$65,000	\$72,439	\$7,439
Charges for Services	202,011	209,506	7,495
All Other Revenues	6,500	2,050	(4,450)
Total Revenues	273,511	283,995	10,484
<u>Expenditures:</u>			
Public Health and Welfare Services:			
Personal Services	473,048	467,135	5,913
Operations and Maintenance	85,832	71,571	14,261
Capital Outlay	21,350	657	20,693
Total Expenditures	580,230	539,363	40,867
Excess (Deficiency) of Revenues Over (Under) Expenditures	(306,719)	(255,368)	51,351
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	295,000	298,740	3,740
Total Other Financing Sources (Uses)	295,000	298,740	3,740
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(11,719)	43,372	55,091
Fund Balance at Beginning of Year	58,609	58,609	0
Prior Year Encumbrances	2,179	2,179	0
Fund Balance at End of Year	\$49,069	\$104,160	\$55,091

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$1,465,000	\$1,447,183	(\$17,817)
All Other Revenues	13,200	5,821	(7,379)
Total Revenues	<u>1,478,200</u>	<u>1,453,004</u>	<u>(25,196)</u>
<u>Expenditures:</u>			
Transportation:			
Personal Services	1,554,421	1,478,147	76,274
Operations and Maintenance	1,026,443	926,686	99,757
Capital Outlay	138,045	130,764	7,281
Total Expenditures	<u>2,718,909</u>	<u>2,535,597</u>	<u>183,312</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,240,709)	(1,082,593)	158,116
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	1,116,551	1,137,022	20,471
Total Other Financing Sources (Uses)	<u>1,116,551</u>	<u>1,137,022</u>	<u>20,471</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(124,158)	54,429	178,587
Fund Balance at Beginning of Year	475,884	475,884	0
Prior Year Encumbrances	89,392	89,392	0
Fund Balance at End of Year	<u><u>\$441,118</u></u>	<u><u>\$619,705</u></u>	<u><u>\$178,587</u></u>

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

PARKS AND RECREATION FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$1,021,581	\$1,021,581	\$0
Charges for Services	271,668	274,552	2,884
Licenses and Permits	11,000	15,052	4,052
All Other Revenues	18,371	18,371	0
Total Revenues	1,322,620	1,329,556	6,936
<u>Expenditures:</u>			
Leisure Time Activities:			
Personal Services	975,702	935,518	40,184
Operations and Maintenance	496,543	441,323	55,220
Capital Outlay	472,500	472,311	189
Total Expenditures	1,944,745	1,849,152	95,593
Excess (Deficiency) of Revenues Over (Under) Expenditures	(622,125)	(519,596)	102,529
<u>Other Financing Sources (Uses):</u>			
Proceeds from General Obligation Notes	450,000	450,000	0
Total Other Financing Sources (Uses)	450,000	450,000	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(172,125)	(69,596)	102,529
Fund Balance at Beginning of Year	250,679	250,679	0
Prior Year Encumbrances	19,850	19,850	0
Fund Balance at End of Year	\$98,404	\$200,933	\$102,529

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

TAXI TOKEN FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$565,772	\$584,850	\$19,078
Charges for Services	140,000	97,945	(42,055)
Total Revenues	<u>705,772</u>	<u>682,795</u>	<u>(22,977)</u>
<u>Expenditures:</u>			
Transportation:			
Operations and Maintenance	510,337	466,283	44,054
Capital Outlay	205,518	201,991	3,527
Total Expenditures	<u>715,855</u>	<u>668,274</u>	<u>47,581</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,083)	14,521	24,604
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	13,500	39,105	25,605
Total Other Financing Sources (Uses)	<u>13,500</u>	<u>39,105</u>	<u>25,605</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,417	53,626	50,209
Fund Balance at Beginning of Year	930	930	0
Fund Balance at End of Year	<u><u>\$4,347</u></u>	<u><u>\$54,556</u></u>	<u><u>\$50,209</u></u>

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

FAMILY VIOLENCE GRANT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$46,915	\$46,915	\$0
Total Revenues	46,915	46,915	0
<u>Expenditures:</u>			
Security of Persons and Property:			
Personal Services	58,741	42,223	16,518
Operations and Maintenance	762	622	140
Capital Outlay	3,048	3,047	1
Total Expenditures	62,551	45,892	16,659
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,636)	1,023	16,659
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	15,639	15,639	0
Total Other Financing Sources (Uses)	15,639	15,639	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3	16,662	16,659
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	\$3	\$16,662	\$16,659

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

LAW DIRECTOR VICTIM ASSISTANCE FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$21,005	\$20,504	(\$501)
Total Revenues	21,005	20,504	(501)
<u>Expenditures:</u>			
Security of Persons and Property:			
Personal Services	40,055	35,273	4,782
Total Expenditures	40,055	35,273	4,782
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,050)	(14,769)	4,281
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	10,000	10,500	500
Total Other Financing Sources (Uses)	10,000	10,500	500
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(9,050)	(4,269)	4,781
Fund Balance at Beginning of Year	19,859	19,859	0
Fund Balance at End of Year	<u>\$10,809</u>	<u>\$15,590</u>	<u>\$4,781</u>

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

LANCASTER COMMUNITY DEVELOPMENT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$99,124	\$132,453	\$33,329
Total Revenues	99,124	132,453	33,329
<u>Expenditures:</u>			
Community Environment:			
Personal Services	131,303	133,575	(2,272)
Operations and Maintenance	4,585	2,313	2,272
Total Expenditures	135,888	135,888	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,764)	(3,435)	33,329
Fund Balance at Beginning of Year	40,753	40,753	0
Fund Balance at End of Year	\$3,989	\$37,318	\$33,329

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

LAW ENFORCEMENT BLOCK GRANT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$37,998	\$37,998	\$0
Total Revenues	37,998	37,998	0
<u>Expenditures:</u>			
Security of Persons and Property:			
Operations and Maintenance	142,503	120,152	22,351
Total Expenditures	142,503	120,152	22,351
Excess (Deficiency) of Revenues Over (Under) Expenditures	(104,505)	(82,154)	22,351
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	3,924	3,924	0
Total Other Financing Sources (Uses)	3,924	3,924	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(100,581)	(78,230)	22,351
Fund Balance at Beginning of Year	101,430	101,430	0
Prior Year Encumbrances	2,287	2,287	0
Fund Balance at End of Year	<u>\$3,136</u>	<u>\$25,487</u>	<u>\$22,351</u>

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

POLICE AND FIRE PENSION FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$349,905	\$349,905	\$0
Intergovernmental Revenues	36,195	36,195	0
Total Revenues	<u>386,100</u>	<u>386,100</u>	<u>0</u>
<u>Expenditures:</u>			
Security of Persons and Property:			
Personal Services	<u>386,100</u>	<u>386,100</u>	<u>0</u>
Total Expenditures	<u>386,100</u>	<u>386,100</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

CITY HEALTH DISTRICT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$486,500	\$187,846	(\$298,654)
Charges for Services	473,600	485,197	11,597
All Other Revenues	41,000	5,389	(35,611)
Total Revenues	1,001,100	678,432	(322,668)
<u>Expenditures:</u>			
Public Health and Welfare Services:			
Personal Services	916,260	854,021	62,239
Operations and Maintenance	264,270	229,019	35,251
Capital Outlay	53,358	44,244	9,114
Total Expenditures	1,233,888	1,127,284	106,604
Excess (Deficiency) of Revenues Over (Under) Expenditures	(232,788)	(448,852)	(216,064)
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	261,875	392,400	130,525
Advances In	0	60,000	60,000
Advances Out	(60,000)	(60,000)	0
Total Other Financing Sources (Uses)	201,875	392,400	190,525
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(30,913)	(56,452)	(25,539)
Fund Balance at Beginning of Year	67,743	67,743	0
Prior Year Encumbrances	10,654	10,654	0
Fund Balance at End of Year	\$47,484	\$21,945	(\$25,539)

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

FAIRFIELD COUNTY COURT SURVEILLANCE FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$71,665	\$71,665	\$0
Total Revenues	<u>71,665</u>	<u>71,665</u>	<u>0</u>
<u>Expenditures:</u>			
Security of Persons and Property:			
Personal Services	69,600	63,637	5,963
Operations and Maintenance	<u>12,849</u>	<u>8,743</u>	<u>4,106</u>
Total Expenditures	<u>82,449</u>	<u>72,380</u>	<u>10,069</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,784)	(715)	10,069
Fund Balance at Beginning of Year	20,020	20,020	0
Prior Year Encumbrances	<u>728</u>	<u>728</u>	<u>0</u>
Fund Balance at End of Year	<u>\$9,964</u>	<u>\$20,033</u>	<u>\$10,069</u>

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

INDIGENT DRIVERS ALCOHOL TREATMENT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Fines and Forfeitures	\$40,000	\$36,383	(\$3,617)
Total Revenues	40,000	36,383	(3,617)
<u>Expenditures:</u>			
Security of Persons and Property:			
Operations and Maintenance	40,000	0	40,000
Total Expenditures	40,000	0	40,000
Excess (Deficiency) of			
Revenues Over (Under) Expenditures	0	36,383	36,383
Fund Balance at Beginning of Year	205,924	205,924	0
Fund Balance at End of Year	\$205,924	\$242,307	\$36,383

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

LAW ENFORCEMENT AND EDUCATION FUND

	<u>Revised Budget</u>	<u>Actual</u>	<u>Variance: Favorable (Unfavorable)</u>
<u>Revenues:</u>			
Fines and Forfeitures	\$4,000	\$3,929	(\$71)
Total Revenues	4,000	3,929	(71)
<u>Expenditures:</u>			
Total Expenditures	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,000	3,929	(71)
<u>Other Financing Sources (Uses):</u>			
Operating Transfers Out	(4,000)	0	4,000
Total Other Financing Sources (Uses)	(4,000)	0	4,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	3,929	3,929
Fund Balance at Beginning of Year	43,845	43,845	0
Fund Balance at End of Year	\$43,845	\$47,774	\$3,929

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

MUNICIPAL COURT COMPUTERIZATION FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Fines and Forfeitures	\$95,000	\$128,633	\$33,633
Total Revenues	95,000	128,633	33,633
<u>Expenditures:</u>			
General Government:			
Operations and Maintenance	95,000	89,702	5,298
Total Expenditures	95,000	89,702	5,298
Excess (Deficiency) of			
Revenues Over (Under) Expenditures	0	38,931	38,931
Fund Balance at Beginning of Year	50,543	50,543	0
Fund Balance at End of Year	\$50,543	\$89,474	\$38,931

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

MUNICIPAL COURT SPECIAL PROJECTS FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Fines and Forfeitures	\$90,000	\$108,115	\$18,115
Total Revenues	90,000	108,115	18,115
<u>Expenditures:</u>			
General Government:			
Capital Outlay	90,000	70,781	19,219
Total Expenditures	90,000	70,781	19,219
Excess (Deficiency) of			
Revenues Over (Under) Expenditures	0	37,334	37,334
Fund Balance at Beginning of Year	141,793	141,793	0
Prior Year Encumbrances	7,919	7,919	0
Fund Balance at End of Year	\$149,712	\$187,046	\$37,334

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

DRUG ENFORCEMENT FUND

	<u>Revised Budget</u>	<u>Actual</u>	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Investment Earnings	\$0	\$351	\$351
Fines and Forfeitures	0	8,845	8,845
Total Revenues	<u>0</u>	<u>9,196</u>	<u>9,196</u>
<u>Expenditures:</u>			
Security of Persons and Property: Operations and Maintenance	<u>0</u>	<u>17,558</u>	<u>(17,558)</u>
Total Expenditures	<u>0</u>	<u>17,558</u>	<u>(17,558)</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(8,362)	(8,362)
Fund Balance at Beginning of Year	<u>43,142</u>	<u>43,142</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$43,142</u></u>	<u><u>\$34,780</u></u>	<u><u>(\$8,362)</u></u>

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$803,940	\$803,940	\$0
Investment Earnings	0	3,102	3,102
All Other Revenues	35,550	45,892	10,342
Total Revenues	839,490	852,934	13,444
<u>Expenditures:</u>			
Community Environment:			
Operations and Maintenance	22,000	22,000	0
Capital Outlay	661,610	647,937	13,673
Total Community Environment	683,610	669,937	13,673
Debt Service:			
Principal Retirement	90,000	90,000	0
Interest and Fiscal Charges	88,227	88,227	0
Total Debt Service	178,227	178,227	0
Total Expenditures	861,837	848,164	13,673
Excess (Deficiency) of Revenues Over (Under) Expenditures	(22,347)	4,770	27,117
Fund Balance at Beginning of Year	94,175	94,175	0
Fund Balance at End of Year	\$71,828	\$98,945	\$27,117

THE CITY OF LANCASTER, OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

STATE HIGHWAY FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$50,000	\$56,009	\$6,009
Investment Earnings	30,000	22,162	(7,838)
Total Revenues	<u>80,000</u>	<u>78,171</u>	<u>(1,829)</u>
<u>Expenditures:</u>			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	80,000	78,171	(1,829)
<u>Other Financing Sources (Uses):</u>			
Operating Transfers Out	<u>(66,000)</u>	<u>(66,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(66,000)</u>	<u>(66,000)</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	14,000	12,171	(1,829)
Fund Balance at Beginning of Year	<u>172,971</u>	<u>172,971</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$186,971</u></u>	<u><u>\$185,142</u></u>	<u><u>(\$1,829)</u></u>

DEBT SERVICE FUNDS

The Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment levies when the government is obligated in some manner for the payment.

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.

THE CITY OF LANCASTER, OHIO
COMBINING BALANCE SHEET
DEBT SERVICE FUNDS
DECEMBER 31, 2001

	<u>General Bond Retirement</u>	<u>Special Assessment Debt Retirement</u>	<u>Totals</u>
<u>Assets:</u>			
Cash and Cash Equivalents	\$8,575	\$0	\$8,575
Receivables (net of allowances for doubtful accounts)			
Special Assessments	<u>0</u>	<u>479,026</u>	<u>479,026</u>
Total Assets	<u>\$8,575</u>	<u>\$479,026</u>	<u>\$487,601</u>
<u>Liabilities and Fund Equity:</u>			
Liabilities:			
Deferred Revenue	<u>\$0</u>	<u>\$479,026</u>	<u>\$479,026</u>
Total Liabilities	<u>0</u>	<u>479,026</u>	<u>479,026</u>
Fund Equity:			
Reserved for Debt Service	<u>8,575</u>	<u>0</u>	<u>8,575</u>
Total Fund Equity	<u>8,575</u>	<u>0</u>	<u>8,575</u>
Total Liabilities and Fund Equity	<u>\$8,575</u>	<u>\$479,026</u>	<u>\$487,601</u>

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	General Bond Retirement	Special Assessment Debt Retirement	Totals
<u>Revenues:</u>			
Special Assessments	\$0	\$215,585	\$215,585
Total Revenues	0	215,585	215,585
<u>Expenditures:</u>			
Debt Service:			
Principal Retirement	3,043	0	3,043
Interest and Fiscal Charges	60,000	0	60,000
Total Expenditures	63,043	0	63,043
Excess (Deficiency) of Revenues Over (Under) Expenditures	(63,043)	215,585	152,542
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	63,043	0	63,043
Operating Transfers Out	0	(215,585)	(215,585)
Total Other Financing Sources (Uses)	63,043	(215,585)	(152,542)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0
Fund Balance at Beginning of Year	8,575	0	8,575
Fund Balance at End of Year	<u>\$8,575</u>	<u>\$0</u>	<u>\$8,575</u>

THE CITY OF LANCASTER OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

GENERAL DEBT RETIREMENT FUND

	<u>Revised Budget</u>	<u>Actual</u>	Variance: Favorable (Unfavorable)
<u>Revenues</u>			
Total Revenues	\$0	\$0	\$0
<u>Expenditures</u>			
Debt Service:			
Principal Retirement	3,043	3,043	0
Interest and Fiscal Charges	60,000	60,000	0
Total Expenditures	63,043	63,043	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(63,043)	(63,043)	0
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In	63,043	63,043	0
Total Other Financing Sources (Uses)	63,043	63,043	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0
Fund Balance at Beginning of Year	8,575	8,575	0
Fund Balance at End of Year	<u>\$8,575</u>	<u>\$8,575</u>	<u>\$0</u>

THE CITY OF LANCASTER OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
DEBT SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

SPECIAL ASSESSMENT DEBT RETIREMENT FUND

	<u>Revised</u> <u>Budget</u>	<u>Actual</u>	<u>Variance:</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>Revenues</u>			
Special Assessments	\$215,585	\$215,585	\$0
Total Revenues	215,585	215,585	0
<u>Expenditures</u>			
Total Expenditures	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	215,585	215,585	0
<u>Other Financing Sources (Uses)</u>			
Operating Transfers Out	(215,585)	(215,585)	0
Total Other Financing Sources (Uses)	(215,585)	(215,585)	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	0	0	0
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	\$0	\$0	\$0

ENTERPRISE FUNDS

The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprise, whereby the intent of the City is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City has decided that periodic determination of net income is appropriate for accountability purposes.

Gas Fund

To account for the provision of natural gas service to residential and commercial users of the City.

Water Fund

To account for the provision of water distribution service to residential and commercial users of the City.

Water Pollution Fund

To account for the provision of water treatment service to residential and commercial users of the City.

Sanitation Fund

To account for the provision of refuse collection service to residential and commercial users of the City.

THE CITY OF LANCASTER, OHIO
COMBINING BALANCE SHEET
ENTERPRISE FUNDS
DECEMBER 31, 2001

	Gas	Water	Water Pollution	Sanitation	Totals
<u>Assets:</u>					
Cash and Cash Equivalents	\$2,085,715	\$4,833,406	\$6,053,119	\$648,295	\$13,620,535
Receivables (net of allowances for doubtful accounts):					
Accounts	2,439,917	659,238	644,518	355,862	4,099,535
Interest	0	0	0	19,701	19,701
Inventory of Supplies at Cost	1,123,528	692,929	30,049	28,608	1,875,114
Prepaid Items	10,272	5,474	5,474	3,240	24,460
Restricted Assets:					
Cash and Cash Equivalents	144,186	219,902	26,667	0	390,755
Investments	0	0	0	462,539	462,539
Property, Plant and Equipment	10,777,692	21,620,255	48,771,907	2,798,333	83,968,187
Less: Accumulated Depreciation	(5,606,286)	(9,409,591)	(22,551,778)	(1,039,233)	(38,606,888)
Net Fixed Assets	5,171,406	12,210,664	26,220,129	1,759,100	45,361,299
Construction in Progress	0	6,509,978	131,013	0	6,640,991
Total Assets	<u>\$10,975,024</u>	<u>\$25,131,591</u>	<u>\$33,110,969</u>	<u>\$3,277,345</u>	<u>\$72,494,929</u>
<u>Liabilities and Fund Equity:</u>					
Liabilities:					
Accounts Payable	\$4,488,327	\$362,684	\$312,508	\$77,417	\$5,240,936
Accrued Wages and Benefits	97,371	130,004	80,411	81,345	389,131
Due to Other Funds	0	0	0	31,983	31,983
Intergovernmental Payable	0	0	10,350	864	11,214
Due to Others - Refundable Deposits	144,186	26,667	26,667	0	197,520
Retainage Payable	0	193,235	0	0	193,235
Compensated Absences Payable	251,257	305,779	208,564	85,460	851,060
Landfill Postclosure Care Liability	0	0	0	2,224,292	2,224,292
Ohio Water Development Authority Loans Payable	0	9,579,996	21,512,076	3,475,143	34,567,215
Total Liabilities	<u>4,981,141</u>	<u>10,598,365</u>	<u>22,150,576</u>	<u>5,976,504</u>	<u>43,706,586</u>
Fund Equity:					
Contributed Capital	0	6,988	2,399,890	0	2,406,878
Retained Earnings/Accumulated Deficit:					
Unreserved	5,993,883	14,526,238	8,560,503	(2,699,159)	26,381,465
Total Fund Equity	<u>5,993,883</u>	<u>14,533,226</u>	<u>10,960,393</u>	<u>(2,699,159)</u>	<u>28,788,343</u>
Total Liabilities and Fund Equity	<u>\$10,975,024</u>	<u>\$25,131,591</u>	<u>\$33,110,969</u>	<u>\$3,277,345</u>	<u>\$72,494,929</u>

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Gas	Water	Water Pollution	Sanitation	Totals
<u>Operating Revenues:</u>					
Charges for Services	\$19,369,658	\$5,776,886	\$5,774,504	\$3,187,625	\$34,108,673
Other Operating Revenues	1,568,793	0	2,475	38,603	1,609,871
Total Operating Revenues	<u>20,938,451</u>	<u>5,776,886</u>	<u>5,776,979</u>	<u>3,226,228</u>	<u>35,718,544</u>
<u>Operating Expenses:</u>					
Personal Services	1,777,378	2,192,393	1,356,878	1,394,979	6,721,628
Materials and Supplies	21,206,380	1,046,599	462,574	104,379	22,819,932
Contractual Services	547,619	522,357	1,232,720	949,952	3,252,648
Depreciation	376,534	641,290	1,800,710	136,863	2,955,397
Other Operating Expenses	0	564	0	0	564
Total Operating Expenses	<u>23,907,911</u>	<u>4,403,203</u>	<u>4,852,882</u>	<u>2,586,173</u>	<u>35,750,169</u>
Operating Income (Loss)	(2,969,460)	1,373,683	924,097	640,055	(31,625)
<u>Non-Operating Revenues (Expenses):</u>					
Investment Earnings	0	0	0	26,374	26,374
Interest and Fiscal Charges	0	(55,933)	(1,099,181)	(142,861)	(1,297,975)
Gain on Sale of Land	447,000	0	0	0	447,000
Nonoperating Revenue	3,468	0	0	0	3,468
Total Non-Operating Revenues (Expenses)	<u>450,468</u>	<u>(55,933)</u>	<u>(1,099,181)</u>	<u>(116,487)</u>	<u>(821,133)</u>
Income (Loss) Before Operating Transfers	(2,518,992)	1,317,750	(175,084)	523,568	(852,758)
<u>Operating Transfers:</u>					
Operating Transfers In	32,000	0	0	0	32,000
Total Operating Transfers	<u>32,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>32,000</u>
Net Income (Loss)	(2,486,992)	1,317,750	(175,084)	523,568	(820,758)
Add: Depreciation Charged to Contributed Capital	0	0	184,696	0	184,696
Restated Retained Earnings/ Accumulated Deficit at Beginning of Year	<u>8,480,875</u>	<u>13,208,488</u>	<u>8,550,891</u>	<u>(3,222,727)</u>	<u>27,017,527</u>
Retained Earnings/Accumulated Deficit at End of Year	<u>\$5,993,883</u>	<u>\$14,526,238</u>	<u>\$8,560,503</u>	<u>(\$2,699,159)</u>	<u>\$26,381,465</u>

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Gas	Water	Water Pollution	Sanitation	Totals
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$24,558,623	\$5,762,628	\$5,805,589	\$3,258,560	\$39,385,400
Cash Payments for Goods and Services	(19,627,759)	(1,547,814)	(1,692,482)	(1,084,753)	(23,952,808)
Cash Payments to Employees	(1,771,195)	(2,165,635)	(1,328,911)	(1,371,689)	(6,637,430)
Customer Deposits Received	117,759	21,778	21,778	0	161,315
Customer Deposits Returned	(108,115)	(19,994)	(19,994)	0	(148,103)
Net Cash Provided by Operating Activities	<u>3,169,313</u>	<u>2,050,963</u>	<u>2,785,980</u>	<u>802,118</u>	<u>8,808,374</u>
<u>Cash Flows from Noncapital Financing Activities:</u>					
Transfers In from Other Funds	32,000	0	0	0	32,000
Repayment of Loan from General Fund	(900,000)	0	0	0	(900,000)
Net Cash Used by Noncapital Financing Activities	<u>(868,000)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(868,000)</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Proceeds from Ohio Water Development					
Authority Loans	0	8,614,099	0	0	8,614,099
Principal Paid on General Obligation Notes	0	(2,197,600)	0	0	(2,197,600)
Proceeds from Sale of Land	450,000	0	0	0	450,000
Acquisition and Construction of Assets	(1,854,541)	(8,025,931)	(414,922)	(644,661)	(10,940,055)
Principal Paid on Ohio Water					
Development Authority Loans	0	0	(1,147,832)	(146,756)	(1,294,588)
Interest Paid on All Debt	0	(87,904)	(1,099,181)	(142,861)	(1,329,946)
Net Cash Used for					
Capital and Related Financing Activities	<u>(1,404,541)</u>	<u>(1,697,336)</u>	<u>(2,661,935)</u>	<u>(934,278)</u>	<u>(6,698,090)</u>
<u>Cash Flows from Investing Activities:</u>					
Purchase of Investments	0	0	0	(20,508)	(20,508)
Receipt of Investment Earnings	0	1,106	0	20,509	21,615
Net Cash Provided by Investing Activities	<u>0</u>	<u>1,106</u>	<u>0</u>	<u>1</u>	<u>1,107</u>
Net Increase (Decrease) in Cash and Cash Equivalents	896,772	354,733	124,045	(132,159)	1,243,391
Cash and Cash Equivalents at Beginning of Year	<u>1,333,129</u>	<u>4,698,575</u>	<u>5,955,741</u>	<u>780,454</u>	<u>12,767,899</u>
Cash and Cash Equivalents at End of Year	<u><u>\$2,229,901</u></u>	<u><u>\$5,053,308</u></u>	<u><u>\$6,079,786</u></u>	<u><u>\$648,295</u></u>	<u><u>\$14,011,290</u></u>
<u>Reconciliation of Cash and</u>					
<u>Cash Equivalents per the Balance Sheet:</u>					
Cash and Cash Equivalents	\$2,085,715	\$4,833,406	\$6,053,119	\$648,295	\$13,620,535
Restricted Cash and Cash Equivalents	144,186	219,902	26,667	0	390,755
Cash and Cash Equivalents at End of Year	<u><u>\$2,229,901</u></u>	<u><u>\$5,053,308</u></u>	<u><u>\$6,079,786</u></u>	<u><u>\$648,295</u></u>	<u><u>\$14,011,290</u></u>

(Continued)

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Gas	Water	Water Pollution	Sanitation	Totals
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>					
<u>Provided by Operating Activities:</u>					
Operating Income (Loss)	(\$2,969,460)	\$1,373,683	\$924,097	\$640,055	(\$31,625)
Adjustments to Reconcile Operating Income (Loss) to					
Net Cash Provided by Operating Activities:					
Depreciation Expense	376,534	641,290	1,800,710	136,863	2,955,397
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	3,620,172	(13,694)	28,610	32,332	3,667,420
(Increase) Decrease in Inventory	453,867	22,431	(356)	(3,473)	472,469
Increase in Prepaid Items	(1,007)	(320)	(344)	(597)	(2,268)
Increase (Decrease) in Accounts Payable	1,673,334	(969)	(1,215)	2,940	1,674,090
Increase (Decrease) in Accrued Wages and Benefits	(3,190)	10,060	2,471	7,440	16,781
Increase in Due to Other Funds	0	0	0	31,983	31,983
Increase in Intergovernmental Payable	0	0	10,350	864	11,214
Increase in Customer Deposits	9,644	1,784	1,784	0	13,212
Decrease in Landfill Postclosure Care Liability	0	0	0	(60,468)	(60,468)
Increase in Compensated Absences	9,419	16,698	19,873	14,179	60,169
Total Adjustments	<u>6,138,773</u>	<u>677,280</u>	<u>1,861,883</u>	<u>162,063</u>	<u>8,839,999</u>
Net Cash Provided by Operating Activities	<u>\$3,169,313</u>	<u>\$2,050,963</u>	<u>\$2,785,980</u>	<u>\$802,118</u>	<u>\$8,808,374</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2001 the Gas, Water, and the Water Pollution Funds had outstanding liabilities of \$10,383, \$244,440, and \$143,438, respectively for certain capital assets. During 2001, the Water Fund incurred a liability of \$468,937 to the Ohio Water Development Authority for construction payments made by the Authority directly to contractors. In addition, the Water Fund also incurred a liability of \$496,960 to the Ohio Water Development Authority for fees and capitalized interest charged by the Authority.



INTERNAL SERVICE FUNDS

The internal service funds account for the financing of services provided by one department or agency to other departments or agencies 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.

Electrical Fund

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

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.

THE CITY OF LANCASTER, OHIO
COMBINING BALANCE SHEET
INTERNAL SERVICES FUNDS
DECEMBER 31, 2001

	Utilities Collection	Electrical	Information Services	Health Insurance Management	Totals
<u>Assets:</u>					
Cash and Cash Equivalents	\$371,027	\$234,923	\$4,426	\$217,566	\$827,942
Receivables (net of allowances for doubtful accounts):					
Accounts	0	0	0	16,000	16,000
Intergovernmental Receivables	0	250	0	0	250
Inventory of Supplies at Cost	24,841	173,250	2,762	0	200,853
Prepaid Items	1,074	1,310	0	0	2,384
Property, Plant and Equipment	443,612	1,553,363	33,112	0	2,030,087
Less: Accumulated Depreciation	(292,946)	(1,064,879)	(12,735)	0	(1,370,560)
Net Fixed Assets	150,666	488,484	20,377	0	659,527
 Total Assets	<u>\$547,608</u>	<u>\$898,217</u>	<u>\$27,565</u>	<u>\$233,566</u>	<u>\$1,706,956</u>
<u>Liabilities and Fund Equity:</u>					
Liabilities:					
Accounts Payable	\$2,728	\$6,703	\$3,686	\$423	\$13,540
Accrued Wages and Benefits	53,253	31,999	5,037	0	90,289
Compensated Absences Payable	127,089	47,415	10,765	0	185,269
Capital Leases Payable	39,252	530	0	0	39,782
Claims Payable	0	0	0	608,406	608,406
 Total Liabilities	<u>222,322</u>	<u>86,647</u>	<u>19,488</u>	<u>608,829</u>	<u>937,286</u>
Fund Equity:					
Contributed Capital	0	84,751	0	0	84,751
Retained Earnings/Accumulated Deficit:					
Unreserved	325,286	726,819	8,077	(375,263)	684,919
 Total Fund Equity	<u>325,286</u>	<u>811,570</u>	<u>8,077</u>	<u>(375,263)</u>	<u>769,670</u>
 Total Liabilities and Fund Equity	<u>\$547,608</u>	<u>\$898,217</u>	<u>\$27,565</u>	<u>\$233,566</u>	<u>\$1,706,956</u>

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
INTERNAL SERVICES FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Utilities Collection	Electrical	Information Services	Health Insurance Management	Totals
<u>Operating Revenues:</u>					
Charges for Services	\$1,027,000	\$830,969	\$137,002	\$3,693,703	\$5,688,674
Other Operating Revenues	5,956	14,051	0	0	20,007
Total Operating Revenues	1,032,956	845,020	137,002	3,693,703	5,708,681
<u>Operating Expenses:</u>					
Personal Services	858,820	477,161	92,124	3,707,338	5,135,443
Materials and Supplies	109,709	143,755	16,972	0	270,436
Contractual Services	128,305	81,228	20,274	0	229,807
Depreciation	34,304	77,648	1,553	0	113,505
Total Operating Expenses	1,131,138	779,792	130,923	3,707,338	5,749,191
Operating Income (Loss)	(98,182)	65,228	6,079	(13,635)	(40,510)
<u>Non-Operating Revenues (Expenses):</u>					
Nonoperating Revenue	0	0	1,998	0	1,998
Loss on Disposal of Fixed Assets	0	(1,998)	0	0	(1,998)
Total Non-Operating Revenues (Expenses)	0	(1,998)	1,998	0	0
Net Income (Loss)	(98,182)	63,230	8,077	(13,635)	(40,510)
Restated Retained Earnings/					
Accumulated Deficit at Beginning of Year	423,468	663,589	0	(361,628)	725,429
Retained Earnings/					
Accumulated Deficit at End of Year	\$325,286	\$726,819	\$8,077	(\$375,263)	\$684,919

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Utilities Collection	Electrical	Information Services	Health Insurance Management	Totals
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$1,032,956	\$845,020	\$137,002	\$3,677,703	\$5,692,681
Cash Payments for Goods and Services	(248,666)	(204,088)	(36,322)	0	(489,076)
Cash Payments to Employees	(858,810)	(486,912)	(76,322)	(3,667,280)	(5,089,324)
Net Cash Provided (Used) by Operating Activities	<u>(74,520)</u>	<u>154,020</u>	<u>24,358</u>	<u>10,423</u>	<u>114,281</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Acquisition and Construction of Assets	(33,450)	(119,364)	(19,932)	0	(172,746)
Capital Lease Payments	(19,847)	(659)	0	0	(20,506)
Net Cash Used for Capital and Related Financing Activities	<u>(53,297)</u>	<u>(120,023)</u>	<u>(19,932)</u>	<u>0</u>	<u>(193,252)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(127,817)	33,997	4,426	10,423	(78,971)
Cash and Cash Equivalents at Beginning of Year	498,844	200,926	0	207,143	906,913
Cash and Cash Equivalents at End of Year	<u>\$371,027</u>	<u>\$234,923</u>	<u>\$4,426</u>	<u>\$217,566</u>	<u>\$827,942</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>					
Operating Income (Loss)	(\$98,182)	\$65,228	\$6,079	(\$13,635)	(\$40,510)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	34,304	77,648	1,553	0	113,505
Changes in Assets and Liabilities:					
Increase in Accounts Receivable	0	0	0	(16,000)	(16,000)
(Increase) Decrease in Inventory	(8,510)	26,179	(2,762)	0	14,907
Increase in Prepaid Items	(59)	(82)	0	0	(141)
Increase (Decrease) in Accounts Payable	(2,049)	(5,211)	3,686	423	(3,151)
Increase in Accrued Wages and Benefits	2,164	457	5,037	0	7,658
Increase (Decrease) in Compensated Absences	(2,188)	(10,199)	10,765	0	(1,622)
Increase in Claims Payable	0	0	0	39,635	39,635
Total Adjustments	<u>23,662</u>	<u>88,792</u>	<u>18,279</u>	<u>24,058</u>	<u>154,791</u>
Net Cash Provided (Used) by Operating Activities	<u>(\$74,520)</u>	<u>\$154,020</u>	<u>\$24,358</u>	<u>\$10,423</u>	<u>\$114,281</u>

Schedule of Noncash Investing, Capital and Financing Activities:

During 2001, the Information Services Fund received capital assets from the Electrical Fund with a net book value of \$1,998.

FIDUCIARY FUND TYPES

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.

EXPENDABLE TRUST FUND

Cemetery Interment Fund

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

NONEXPENDABLE TRUST FUND

Cemetery Trust Fund

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

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.

THE CITY OF LANCASTER, OHIO
COMBINING BALANCE SHEET
FIDUCIARY FUNDS
DECEMBER 31, 2001

	<i>Expendable Trust Fund</i>	<i>Nonexpendable Trust Fund</i>
	Cemetery Interment Trust	Cemetery Trust
<u>Assets:</u>		
Cash and Cash Equivalents	\$29,524	\$81,341
Investments	178,000	612,014
Receivables (net of allowance for doubtful accounts):		
Accounts	1,282	12,712
Interest	1,212	2,312
Due from Other Funds	0	0
Restricted Assets:		
Cash with Fiscal Agent	0	0
Total Assets	\$210,018	\$708,379
<u>Liabilities and Fund Equity:</u>		
Liabilities:		
Due to Other Funds	\$0	\$0
Intergovernmental Payables	0	0
Due to Others	0	0
Deferred Revenue	1,460	0
Total Liabilities	1,460	0
Fund Equity:		
Reserved for Endowments	0	708,379
Unreserved	208,558	0
Total Fund Equity	208,558	708,379
Total Liabilities and Fund Equity	\$210,018	\$708,379

THE CITY OF LANCASTER, OHIO
COMBINING BALANCE SHEET
FIDUCIARY FUNDS
DECEMBER 31, 2001

<i>Agency Funds</i>			
Street Deposit	Municipal Court	Law Library	Totals
\$2,400	\$0	\$0	\$113,265
0	0	0	790,014
0	0	0	13,994
0	0	0	3,524
0	0	4,068	4,068
0	146,125	0	146,125
\$2,400	\$146,125	\$4,068	\$1,070,990
\$0	\$72,853	\$0	\$72,853
0	0	4,068	4,068
2,400	73,272	0	75,672
0	0	0	1,460
2,400	146,125	4,068	154,053
0	0	0	708,379
0	0	0	208,558
0	0	0	916,937
\$2,400	\$146,125	\$4,068	\$1,070,990

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001

	Balance December 31, 2000	Additions	Deductions	Balance December 31, 2001
<u>Street Deposit Fund</u>				
Assets:				
Cash and Cash Equivalents	\$3,600	\$1,400	(\$2,600)	\$2,400
Total Assets	<u>\$3,600</u>	<u>\$1,400</u>	<u>(\$2,600)</u>	<u>\$2,400</u>
Liabilities:				
Due to Others	\$3,600	\$1,400	(\$2,600)	\$2,400
Total Liabilities	<u>\$3,600</u>	<u>\$1,400</u>	<u>(\$2,600)</u>	<u>\$2,400</u>
<u>Municipal Court Fund</u>				
Assets:				
Restricted Assets:				
Cash with Fiscal Agent	\$136,103	\$2,871,933	(\$2,861,911)	\$146,125
Total Assets	<u>\$136,103</u>	<u>\$2,871,933</u>	<u>(\$2,861,911)</u>	<u>\$146,125</u>
Liabilities:				
Due to Other Funds	\$80,595	\$1,137,494	(\$1,145,236)	\$72,853
Intergovernmental Payable	0	959,676	(959,676)	0
Due to Others	55,508	774,763	(756,999)	73,272
Total Liabilities	<u>\$136,103</u>	<u>\$2,871,933</u>	<u>(\$2,861,911)</u>	<u>\$146,125</u>
<u>Law Library Fund</u>				
Assets:				
Cash and Cash Equivalents	\$0	\$74,026	(\$74,026)	\$0
Due from Other Funds	5,917	4,068	(5,917)	4,068
Total Assets	<u>\$5,917</u>	<u>\$78,094</u>	<u>(\$79,943)</u>	<u>\$4,068</u>
Liabilities:				
Intergovernmental Payable	\$5,917	\$78,094	(\$79,943)	\$4,068
Total Liabilities	<u>\$5,917</u>	<u>\$78,094</u>	<u>(\$79,943)</u>	<u>\$4,068</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$3,600	\$75,426	(\$76,626)	\$2,400
Due from Other Funds	5,917	4,068	(5,917)	4,068
Restricted Assets:				
Cash with Fiscal Agent	136,103	2,871,933	(2,861,911)	146,125
Total Assets	<u>\$145,620</u>	<u>\$2,951,427</u>	<u>(\$2,944,454)</u>	<u>\$152,593</u>
Liabilities:				
Due to Other Funds	\$80,595	\$1,137,494	(\$1,145,236)	\$72,853
Intergovernmental Payables	5,917	1,037,770	(1,039,619)	4,068
Due to Others	59,108	776,163	(759,599)	75,672
Total Liabilities	<u>\$145,620</u>	<u>\$2,951,427</u>	<u>(\$2,944,454)</u>	<u>\$152,593</u>

GENERAL FIXED ASSETS ACCOUNT GROUP

General Fixed Assets Account Group is used to account for fixed assets other than those accounted for in the Proprietary Funds.



THE CITY OF LANCASTER, OHIO
SCHEDULE OF GENERAL FIXED ASSETS
BY SOURCE
DECEMBER 31, 2001

General Fixed Assets:

Land	\$1,996,686
Buildings	6,127,559
Improvements Other Than Buildings	4,741,913
Vehicles	3,728,752
Equipment	3,879,521
Subtotal	<u>20,474,431</u>
Less: Accumulated Depreciation	<u>(10,135,934)</u>
Subtotal	10,338,497
Construction in Progress	<u>34,201</u>
Total Net General Fixed Assets	<u><u>\$10,372,698</u></u>

Net Investment in General Fixed Assets from:

General Fund	\$5,058,682
Special Revenue Funds	5,305,505
Proprietary Funds	<u>8,511</u>
Total Net Investment in General Fixed Assets	<u><u>\$10,372,698</u></u>

THE CITY OF LANCASTER, OHIO
SCHEDULE OF GENERAL FIXED ASSETS
BY CATEGORY
DECEMBER 31, 2001

Function and Activity	Land	Buildings	Improvements Other Than Buildings
<u>General Government:</u>			
Council	\$0	\$0	\$0
Mayor	0	0	0
Personnel	0	0	0
City Hall	80,327	772,500	1,687,280
Auditor	0	0	1,243
Income Tax	0	0	3,630
Treasurer	0	0	0
Safety Director	0	0	0
Engineer	0	0	0
Prosecutor	0	0	0
Court-Clerk	0	0	21,276
Court-Judicial	0	7,925	47,897
Court Electronic Surveillance	0	0	0
Total	80,327	780,425	1,761,326
<u>Security of Persons and Property:</u>			
Police	141,962	2,010,264	131,845
Fire	25,600	234,473	501,976
Total	167,562	2,244,737	633,821
<u>Public Health and Welfare Services:</u>			
Public Health	0	0	0
Cemetery	14,897	40,730	87,726
Total	14,897	40,730	87,726
<u>Transportation:</u>			
Public Transit	0	0	0
Street Construction	1,000	292,521	22,676
Total	1,000	292,521	22,676
<u>Community Environment:</u>			
Community Development	0	0	0
Economic Development	0	0	0
Total	0	0	0
<u>Leisure Time Activities:</u>			
Park	1,732,900	2,769,146	2,230,624
Mumaugh	0	0	5,740
Total	1,732,900	2,769,146	2,236,364
Total General Fixed Assets	\$1,996,686	\$6,127,559	\$4,741,913
Less: Accumulated Depreciation			
Total Net General Fixed Assets			

THE CITY OF LANCASTER, OHIO
SCHEDULE OF GENERAL FIXED ASSETS
BY CATEGORY
DECEMBER 31, 2001

Vehicles	Equipment	Construction in Progress	Total
\$0	\$2,422	\$0	\$2,422
0	1,555	0	1,555
0	8,763	0	8,763
0	164,376	0	2,704,483
0	62,265	0	63,508
0	71,717	0	75,347
0	1,437	0	1,437
13,655	52,949	0	66,604
67,577	115,731	0	183,308
0	60,019	0	60,019
0	363,686	0	384,962
0	70,263	0	126,085
0	14,172	0	14,172
<u>81,232</u>	<u>989,355</u>	<u>0</u>	<u>3,692,665</u>
533,990	776,266	0	3,594,327
1,600,178	602,375	34,201	2,998,803
<u>2,134,168</u>	<u>1,378,641</u>	<u>34,201</u>	<u>6,593,130</u>
31,191	93,483	0	124,674
125,178	174,673	0	443,204
<u>156,369</u>	<u>268,156</u>	<u>0</u>	<u>567,878</u>
75,564	0	0	75,564
966,038	836,196	0	2,118,431
<u>1,041,602</u>	<u>836,196</u>	<u>0</u>	<u>2,193,995</u>
0	52,263	0	52,263
0	10,476	0	10,476
<u>0</u>	<u>62,739</u>	<u>0</u>	<u>62,739</u>
315,381	341,550	0	7,389,601
0	2,884	0	8,624
<u>315,381</u>	<u>344,434</u>	<u>0</u>	<u>7,398,225</u>
<u>\$3,728,752</u>	<u>\$3,879,521</u>	<u>\$34,201</u>	<u>\$20,508,632</u>
			<u>(10,135,934)</u>
			<u>\$10,372,698</u>

THE CITY OF LANCASTER, OHIO
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2001

Function and Activity	Restated December 31, 2000	Additions	Deletions	December 31, 2001
<u>General Government:</u>				
Council	\$2,422	\$0	\$0	\$2,422
Mayor	1,555	0	0	1,555
Personnel	8,763	0	0	8,763
City Hall	1,930,439	774,044	0	2,704,483
Auditor	62,240	1,268	0	63,508
Income Tax	52,916	22,431	0	75,347
Treasurer	1,437	0	0	1,437
Safety Director	48,829	17,775	0	66,604
Engineer	154,633	28,675	0	183,308
Prosecutor	28,185	31,834	0	60,019
Court-Clerk	358,975	25,987	0	384,962
Court-Judicial	121,177	4,908	0	126,085
Court-Electronic Surveillance	14,172	0	0	14,172
Total	2,785,743	906,922	0	3,692,665
<u>Security of Persons and Property:</u>				
Police	3,478,872	198,264	(82,809)	3,594,327
Fire	2,950,404	48,399	0	2,998,803
Total	6,429,276	246,663	(82,809)	6,593,130
<u>Public Health and Welfare Services:</u>				
Public Health	124,674	0	0	124,674
Cemetery	424,092	49,710	(30,598)	443,204
Total	548,766	49,710	(30,598)	567,878
<u>Transportation:</u>				
Public Transit	0	75,564	0	75,564
Street Construction	1,683,071	435,360	0	2,118,431
Total	1,683,071	510,924	0	2,193,995
<u>Community Environment:</u>				
Community Development	30,790	21,473	0	52,263
Economic Development	10,476	0	0	10,476
Total	41,266	21,473	0	62,739
<u>Leisure Time Activities:</u>				
Park	6,704,066	756,275	(70,740)	7,389,601
Mumaugh	8,624	0	0	8,624
Total	6,712,690	756,275	(70,740)	7,398,225
Total General Fixed Assets	18,200,812	2,491,967	(184,147)	20,508,632
Less: Accumulated Depreciation	(9,126,136)	(1,180,331)	170,533	(10,135,934)
Total Net General Fixed Assets	\$9,074,676	\$1,311,636	(\$13,614)	\$10,372,698

STATISTICAL SECTION

STATISTICAL TABLES

THE FOLLOWING UNAUDITED STATISTICAL TABLES REFLECT SOCIAL AND ECONOMIC DATA, FINANCIAL TRENDS AND FISCAL CAPACITY OF THE CITY.

THE CITY OF LANCASTER, OHIO
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN YEARS
(Amounts in Thousands)

Year		Security of Persons and Property	Public Health and Welfare	Leisure Time Activities	Community Environment	Transportation	General Government	(1) Miscellaneous	Total
1992	a	\$7,260	\$0	\$23	\$22	\$0	\$2,672	\$89	\$10,066
1993	a	7,794	0	23	22	0	2,695	76	10,610
1994	b	9,032	1,113	978	821	2,049	3,002	99	17,094
1995	b	9,341	1,287	1,023	705	2,221	4,128	22	18,727
1996	b	9,650	1,359	1,066	488	2,171	3,828	14	18,576
1997	b	9,460	1,293	1,140	781	2,330	3,606	8	18,618
1998	b	10,292	1,369	1,253	1,055	2,337	3,783	6	20,095
1999	b	10,824	1,545	1,277	2,541	3,205	4,318	121	23,831
2000	b	11,299	1,674	1,394	811	3,278	4,445	292	23,193
2001	b	11,601	1,656	1,853	606	3,273	5,113	243	24,345

a Includes General Fund only.

b Includes General Fund, Special Revenue Funds, and Debt Service Funds.

(1) Includes Debt Retirement.

THE CITY OF LANCASTER, OHIO
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN YEARS
(Amounts in Thousands)

Year		Taxes	Inter-Governmental Revenues	Charges for Services	Licenses, Permits and Fees	Investment Earnings	Special Assessments	Fines and Forfeitures	(1) All Other Revenue	Total
1992	a	\$6,703	\$1,752	\$167	\$46	\$0	\$0	\$630	\$642	\$9,940
1993	a	7,691	1,811	62	55	0	0	495	512	10,626
1994	b	9,431	4,268	933	49	577	0	842	48	16,148
1995	b	9,747	4,444	1,115	59	833	0	803	486	17,487
1996	b	10,095	4,458	1,192	70	749	0	843	714	18,121
1997	b	10,975	5,306	1,253	77	837	0	810	773	20,031
1998	b	12,174	5,735	1,665	132	961	0	827	918	22,412
1999	b	12,797	6,125	2,043	22	1,070	0	839	359	23,255
2000	b	13,173	6,212	2,205	31	1,357	0	903	618	24,499
2001	b	13,680	6,267	2,109	32	981	216	1,085	270	24,640

a Includes General Fund only.

b Includes General Fund, Special Revenue Funds, and Debt Service Funds.

(1) Includes Investment Earnings in 1992 and 1993

THE CITY OF LANCASTER, OHIO
PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN YEARS

Collection Year	Total Tax Levy	Current Tax Collections	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections To Tax Levy	Accumulated Outstanding Delinquent Taxes	Percentage of Accumulated Delinquent Taxes to Total Tax Levy
1992	\$877,071	\$844,723	\$23,158	\$867,881	98.95%	\$39,141	4.46%
1993	1,175,443	1,127,546	33,870	1,161,416	98.81%	51,841	4.41%
1994	1,183,000	1,140,876	26,296	1,167,172	98.66%	35,519	3.00%
1995	1,204,616	1,145,997	35,360	1,181,357	98.07%	61,899	5.14%
1996	1,473,231	1,371,964	27,110	1,399,074	94.97%	88,397	6.00%
1997	1,479,239	1,408,609	71,076	1,479,685	100.03%	63,577	4.30%
1998	1,236,332	1,204,481	25,408	1,229,889	99.48%	59,679	4.83%
1999	1,394,840	1,343,887	35,544	1,379,431	98.90%	59,076	4.24%
2000	1,516,709	1,363,847	55,930	1,419,777	93.61%	86,148	5.68%
2001	1,525,473	1,405,848	50,283	1,456,131	95.45%	88,297	5.79%

Source: Fairfield County Auditor

THE CITY OF LANCASTER, OHIO
ASSESSED VALUATIONS AND ESTIMATED TRUE VALUES
OF TAXABLE PROPERTY
LAST TEN YEARS

Collection Year	Real Property		Public Utility Personal		Tangible Personal Property		Total		Assessed Value as a Percent of Actual Value
	Assessed	Actual	Assessed	Actual	Assessed	Actual	Assessed	Actual	
1991	\$273,516,610	\$781,476,029	\$19,659,840	\$57,823,059	\$69,467,115	\$257,258,606	\$362,643,565	\$1,096,557,694	33.07%
1992	275,903,260	788,295,030	19,830,910	58,326,205	70,958,941	272,919,004	366,693,111	1,119,540,239	32.75%
1993	287,722,060	981,199,620	20,750,450	61,030,735	73,390,867	293,563,468	381,863,377	1,335,793,823	28.59%
1994	290,330,380	829,515,370	21,053,310	61,921,500	74,778,327	299,113,308	386,162,017	1,190,550,178	32.44%
1995	292,032,160	834,377,600	20,262,540	59,595,706	77,513,166	310,052,664	389,807,866	1,204,025,970	32.38%
1996	379,220,150	1,083,486,143	19,775,910	58,164,441	85,842,560	343,370,240	484,838,620	1,485,020,824	32.65%
1997	387,768,000	1,107,908,571	19,583,870	57,599,618	87,668,105	350,672,420	495,019,975	1,516,180,609	32.65%
1998	397,922,750	1,136,922,143	19,806,210	58,253,559	89,086,789	356,347,156	506,815,749	1,551,522,858	32.67%
1999	449,827,490	1,285,221,400	17,820,400	52,412,941	87,390,191	349,560,764	555,038,081	1,687,195,105	32.90%
2000	462,361,180	1,321,031,943	17,820,400	52,412,941	87,390,191	349,560,764	567,571,771	1,723,005,648	32.94%
2001	470,130,350	1,343,229,571	17,387,580	69,550,320	92,941,903	371,767,612	580,459,833	1,784,547,503	32.53%

Source: Fairfield County Auditor

THE CITY OF LANCASTER, OHIO
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUATIONS)
LAST TEN YEARS

Collection Year	City of Lancaster		Total City	Lancaster City School District	Fairfield County	Total
	General Fund	Police and Fire Pension Fund				
1992	2.80	0.60	3.40	56.70	8.55	68.65
1993	2.80	0.60	3.40	56.70	8.55	68.65
1994	2.80	0.60	3.40	56.70	8.55	68.65
1995	2.80	0.60	3.40	56.70	7.05	67.15
1996	2.80	0.60	3.40	56.70	7.05	67.15
1997	2.80	0.60	3.40	56.70	7.05	67.15
1998	2.80	0.60	3.40	64.60	7.05	75.05
1999	2.80	0.60	3.40	64.60	7.05	75.05
2000	2.80	0.60	3.40	64.60	7.05	75.05
2001	2.80	0.60	3.40	64.60	7.05	75.05

Source: Fairfield County Auditor
Fairfield County Treasurer

THE CITY OF LANCASTER, OHIO
SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN YEARS

<u>Collection Year</u>	<u>Amount Billed</u>	<u>Amount Collected</u>	<u>Percent Collected</u>
1992	\$11,227	\$5,290	47.12%
1993	11,277	4,533	40.20%
1994	11,884	6,673	56.15%
1995	8,630	7,885	91.37%
1996	2,897	0	0.00%
1997	0	0	0.00%
1998	0	0	0.00%
1999	0	0	0.00%
2000	0	0	0.00%
2001 (1)	0	215,585	0.00%

Source: Fairfield County Auditor

(1) These are amounts paid in full, in advance before the County places the Assessment on the Tax Bill.

THE CITY OF LANCASTER, OHIO
COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2001

	Total Debt	Unvoted Debt
Net Assessed Valuation	\$580,459,833	\$580,459,833
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	60,948,282	31,925,291
Applicable City Debt Outstanding (2)	1,875,000	1,875,000
Less: Applicable Debt Service Fund Amounts	(8,575)	(8,575)
Net Indebtedness Subject to Limitation	1,866,425	1,866,425
Legal Debt Margin	\$59,081,857	\$30,058,866

(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 Notes.
Enterprise Debt is Not Considered in the Computation of the Legal Debt Margin.

THE CITY OF LANCASTER, OHIO
RATIO OF NET GENERAL OBLIGATION BONDED DEBT TO ASSESSED
VALUE AND NET GENERAL OBLIGATION BONDED DEBT PER CAPITA
LAST TEN YEARS

Year	Population (1)	Assessed Value (2)	Gross Bonded Debt (3)	Debt Service Funds Available	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Valuation	Net Bonded Debt Per Capita
1992	35,371	\$366,693,111	\$0	\$4,000	\$0	0.00%	\$0.00
1993	35,567	381,863,377	0	3,000	0	0.00%	0.00
1994	35,808	386,162,000	0	19,000	0	0.00%	0.00
1995	36,195	389,807,866	0	7,919	0	0.00%	0.00
1996	36,535	484,838,620	0	4,812	0	0.00%	0.00
1997	37,826	495,019,975	0	7,919	0	0.00%	0.00
1998	38,254	506,815,749	0	7,919	0	0.00%	0.00
1999	38,983	555,038,081	0	7,919	0	0.00%	0.00
2000	a) 35,335	567,571,771	0	8,575	0	0.00%	0.00
2001	35,600	580,459,833	0	8,575	0	0.00%	0.00

(1) Source: Lancaster Community Development Department estimates.

a) U.S. Bureau of Census, Federal 2000 Census.

(2) Source: Fairfield County Auditor

(3) Includes all general obligation bonded debt supported by property taxes.

THE CITY OF LANCASTER, OHIO
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES
FOR GENERAL OBLIGATION BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN YEARS

Fiscal Year		Debt Principal	Debt Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Tax Debt Service to General Governmental Expenditures
1992	a	\$25,000	\$2,750	\$27,750	\$10,065,436	0.28%
1993	a	0	0	0	10,610,221	0.00%
1994	b	0	0	0	17,094,331	0.00%
1995	b	0	0	0	18,726,844	0.00%
1996	b	0	0	0	18,576,144	0.00%
1997	b	0	0	0	18,618,394	0.00%
1998	b	0	0	0	20,095,376	0.00%
1999	b	0	0	0	23,831,408	0.00%
2000	b	0	0	0	23,192,902	0.00%
2001	b	0	0	0	24,344,852	0.00%

a Includes General Fund only.

b Includes General Fund, Special Revenue Funds and Debt Service Funds.

Source: Lancaster City Auditor

THE CITY OF LANCASTER, OHIO
COMPUTATION OF ALL DIRECT AND OVERLAPPING GOVERNMENTAL DEBT
DECEMBER 31, 2001

<u>Jurisdiction</u>		<u>Net Debt Outstanding</u>	<u>Percentage Applicable to City of Lancaster (2)</u>	<u>Amount Applicable to City of Lancaster</u>
Direct				
City of Lancaster (1)	(a)	\$1,866,425	100.00%	\$1,866,425
Overlapping Subdivisions				
Lancaster City School District	(b)	0	81.51%	0
Fairfield County	(b)	2,320,000	27.88%	646,816
				<u>646,816</u>
				<u>\$2,513,241</u>
Total				

(1) Includes general obligation notes.

(2) Overlapping percentage was calculated by dividing each overlapping subdivisions assessed valuation within the City by the subdivision's total assessed valuation.

Source:

(a) City of Lancaster Auditor's Office.

(b) Fairfield County Auditor. Amount of debt does not include balances in debt service funds.

THE CITY OF LANCASTER, OHIO
REVENUE BOND COVERAGE - WATER MORTGAGE BONDS
LAST TEN YEARS

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirement	Coverage
1992	\$3,267,241	\$2,546,907	\$720,334	\$38,544	18.69
1993	3,486,481	3,288,094	198,387	0	0.00
1994	3,586,016	3,395,058	190,958	0	0.00
1995	3,770,664	2,831,331	939,333	0	0.00
1996	4,087,721	3,023,730	1,063,991	0	0.00
1997	4,167,866	3,006,192	1,161,674	0	0.00
1998	4,438,947	2,942,331	1,496,616	0	0.00
1999	4,622,468	3,461,560	1,160,908	0	0.00
2000	5,180,962	3,187,048	1,993,914	0	0.00
2001	5,776,886	3,761,913	2,014,973	0	0.00

(1) Gross revenues include total operating revenues plus investment earnings.

(2) Direct operating expenses include total operating expenses less depreciation.

THE CITY OF LANCASTER, OHIO
REVENUE BOND COVERAGE - WATER POLLUTION MORTGAGE BONDS
LAST TEN YEARS

Year	Gross Revenues (1)	Direct Operating Expenses (2)	Net Revenue Available For Debt Service	Debt Service Requirement	Coverage
1992	\$3,797,585	\$1,963,637	\$1,833,948	\$109,500	16.75
1993	4,213,618	3,282,163	931,455	104,750	8.89
1994	5,493,499	4,816,255	677,244	0	0.00
1995	4,876,118	2,155,250	2,720,868	0	0.00
1996	5,302,185	3,128,786	2,173,399	0	0.00
1997	5,449,829	2,896,980	2,552,849	0	0.00
1998	5,346,551	2,819,346	2,527,205	0	0.00
1999	5,409,066	2,530,025	2,879,041	0	0.00
2000	5,829,627	2,819,329	3,010,298	0	0.00
2001	5,776,979	3,052,172	2,724,807	0	0.00

(1) Gross revenues include total operating revenues plus investment earnings.

(2) Direct operating expenses include total operating expenses less depreciation.

THE CITY OF LANCASTER, OHIO
DEMOGRAPHIC STATISTICS
LAST TEN YEARS

<u>Year</u>	<u>Population (1)</u>		<u>Housing Statistics (1)</u>			
	<u>City of Lancaster</u>	<u>Fairfield County</u>	<u>City of Lancaster</u>	<u>1990</u>	<u>2000 (a)</u>	<u>2001</u>
1992	35,371	104,850				
1993	35,567	112,380	Total Housing Units	15,186	15,891	16,013
1994	35,808	114,738				
1995	36,195	117,556	Owner Occupied	60%	59%	60%
1996	36,535	119,182				
1997	37,826	131,809	Vacancy Rate	5.2%	5.1%	6.5%
1998	38,254	136,351				
1999	38,983	126,723				
2000	a) 35,335	122,759				
2001	35,600	124,950				

Source: (1) Lancaster Community Development Department estimates.

a) U.S. Bureau of Census, Federal 2000 Census.

THE CITY OF LANCASTER, OHIO
DEMOGRAPHIC STATISTICS
LAST TEN YEARS

Year	Labor Force (1)		Employment (1)		Unemployment Rate			
	City of Lancaster	Fairfield County	City of Lancaster	Fairfield County	City of Lancaster	Fairfield County	State of Ohio	United States
1992	20,500	53,900	16,200	51,200	8.50%	6.60%	7.20%	7.40%
1993	17,900	55,400	16,400	51,900	8.02%	6.30%	6.02%	6.04%
1994	18,300	57,200	17,300	54,800	5.04%	4.01%	4.02%	5.01%
1995	18,300	57,100	17,200	54,600	5.06%	4.03%	4.08%	5.06%
1996	19,500	60,800	18,600	59,300	4.07%	3.71%	4.86%	5.42%
1997	20,000	62,600	19,100	60,600	4.20%	3.20%	4.55%	4.95%
1998	20,400	63,500	19,600	61,600	3.09%	3.00%	4.30%	4.50%
1999	20,800	65,400	20,000	65,500	3.80%	2.90%	4.20%	4.20%
2000	21,600	68,700	20,900	66,600	4.50%	3.40%	4.30%	4.60%
2001	22,300	69,800	21,400	67,900	3.70%	2.80%	4.20%	4.80%

(1) Estimates

Source: Labor Market Information, Ohio Department of Job and Family Services

CITY OF LANCASTER, OHIO
PROPERTY VALUE, CONSTRUCTION AND BANK DEPOSITS
LAST TEN YEARS

<u>Year</u>	<u>Residential (1)</u>		<u>Commercial (1)</u>		<u>Bank Deposits (2) (in Thousands)</u>
	<u>Number of Permits</u>	<u>Property Value</u>	<u>Number of Permits</u>	<u>Property Value</u>	
1992	18	\$1,554,000	20	\$4,430,685	\$26,410
1993	362	10,673,730	61	2,701,956	114,237
1994	52	4,831,339	17	16,973,867	125,635
1995	97	11,161,223	14	4,916,116	149,434
1996	117	14,114,049	47	18,869,600	163,183
1997	165	20,187,790	54	6,004,000	172,771
1998	176	23,901,412	3	1,290,000	190,113
1999	134	18,635,408	63	25,723,471	247,807
2000	125	17,619,415	100	11,044,336	286,562
2001	122	14,375,874	57	1,753,961	329,912

(1) Source: City of Lancaster Engineering Department.

(2) Source: Federal Reserve Bank of Cleveland - amounts are for Fairfield County.

THE CITY OF LANCASTER, OHIO
PRINCIPAL TAXPAYERS (PERSONAL PROPERTY TAX)
DECEMBER 31, 2001

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2001 Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1. Anchor Hocking Glass Consumer	Glass	\$17,043,020	18.34%
2. Ralcorp Holdings, Inc.	Food	7,502,550	8.07%
3. McDermott Inc.	Electronics	5,360,140	5.77%
4. Scotts Miracle Gro	Horticulture	3,111,360	3.35%
5. Crown Cork and Seal Company	Glass Closures	2,635,880	2.83%
6. Lancaster Glass	Glass	2,471,670	2.66%
7. International Paper Company	Paper	2,163,350	2.33%
8. Taylor Chevrolet	Automobile Dealership	2,163,350	2.33%
9. Lowes Home Centers, Inc.	Retail Home Improvement	1,613,650	1.73%
10. Sonoco Products Company	Oil	1,568,300	1.69%
	Subtotal	45,633,270	49.10%
	All Others	47,308,633	50.90%
	Total	\$92,941,903	100.00%

Based on valuation of property taxes levied in 2001.
Source: Fairfield County Auditor - Land and Buildings.

THE CITY OF LANCASTER, OHIO
PRINCIPAL TAXPAYERS (REAL PROPERTY AND PUBLIC UTILITY PERSONAL PROPERTY TAX)
DECEMBER 31, 2001

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2001 Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1. Glimcher Holdings	Property	\$22,937,700	4.70%
2. Ohio Power Company	Utility - Electric	10,498,050	2.15%
3. Anchor Hocking Glass Corporation	Glass	5,290,640	1.08%
4. Ohio Bell Telephone	Utility - Telephone	4,698,550	0.96%
5. Mount Carmel Health Systems	Health	3,984,050	0.82%
6. Lancaster Phase One Group	Property	3,982,810	0.82%
7. Glimcher Center LTD Partnership	Property	3,147,690	0.65%
8. Lowes Home Centers, Inc.	Retail Home Improvement	2,728,170	0.56%
9. T & R River Valley LTD Partnership	Property	2,526,550	0.52%
10. Ralston Purina Company Checkerboard	Food	2,522,780	0.52%
	Subtotal	62,316,990	12.78%
	All Others	425,200,940	87.22%
	Total	\$487,517,930	100.00%

Based on valuation of property taxes collected in 2001.
Source: Fairfield County Auditor - Land and Buildings.





STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
JULY 23, 2002**