



**Auditor of State
Betty Montgomery**

CITY OF LANCASTER
FAIRFIELD COUNTY

TABLE OF CONTENTS

TITLE	PAGE
Schedule of Federal Awards Expenditures For the year ended December 31, 2002	1
Notes to the Schedule of Federal Awards Expenditures For the year ended December 31, 2002	2
Independent Accountants' Report on Compliance and Internal Control Required by <i>Government Auditing Standards</i>	3
Independent Accountants' Report on Compliance with Requirements Applicable to Major Federal Programs, Internal Control over Compliance in Accordance with OMB Circular A-133 and Schedule of Federal Awards Expenditures	5
Schedule of Findings.....	7
Schedule of Prior Audit Findings.....	10

THIS PAGE INTENTIONALLY LEFT BLANK

**CITY OF LANCASTER
FAIRFIELD COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2002**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN</u>			
<u>DEVELOPMENT</u>			
Community Development Block Grant Entitlement Program:			
CDBG 95	N/A	14.218	\$17,513
CDBG 96			46,121
CDBG 97			83,158
CDBG 98			102,875
CDBG 99			77,078
CDBG 00			73,541
CDBG 01			496,200
CDBG 02			44,838
Total CDBG			<u>941,324</u>
Home Improvement Partnerships Program (Home)	N/A	14.239	<u>171,165</u>
Total U.S. Department of Housing and Urban Development			<u>1,112,489</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation</i>			
Public Transportation for NonUrbanized Areas		RPT4023-020-021 RPT0023-020-022	146,656
Total U.S. Department of Transportation		20.509	<u>146,656</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Violence Against Women Formula Grant	N/A	16.588	29,962
Local Law Enforcement Block Grant	N/A	16.592	52,634
Byrne Family Violence Grant	N/A	16.579	34,013
Total U.S. Department of Justice			<u>116,609</u>
Total Federal Awards			<u><u>\$1,375,754</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, 2002

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	\$112,446

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 mortgages on the property. At December 31, 2002, the gross amount of loans outstanding under the Community Development Block Grant (CDBG) program was \$523,188. At December 31, 2002, the gross amount of loans outstanding under the Home Improvement Partnerships Program was \$676,977.

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.



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' 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, 2002, and have issued our report thereon dated June 20, 2003. 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 general purpose 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2002-001. We also noted certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated June 20, 2003.

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 general purpose 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 general purpose financial statements. The reportable condition is described in the accompanying schedule of findings as item 2002-002.

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

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 general purpose 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 do not believe the reportable condition described above is a material weakness. We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated June 20, 2003.

This report is intended for the information and use of the audit committee, management, City Council, 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 that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

Betty Montgomery
Auditor of State

June 20, 2003



**Auditor of State
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO MAJOR FEDERAL PROGRAMS, 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, 2002. 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 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 each of its major federal programs for the year ended December 31, 2002.

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

Internal Control Over Compliance

The 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, 2002, and have issued our report thereon dated June 20, 2003. 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 audit committee, management, City Council, 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.



Betty Montgomery
Auditor of State

June 20, 2003

CITY OF LANCASTER
FAIRFIELD COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002

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)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant -CFDA #14.218 Home Improvement Partnerships Program - CFDA #14.239
(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, 2002
(Continued)**

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

Finding Number	2002-001
-----------------------	----------

The City's Negotiated Agreement with the fire fighters union, IAFF Local 291, for 2002-2004 includes the following articles about sick leave use:

36.1 Fire Department bargaining unit employees shall be entitled to sick leave of four and six tenths (4-6/10) hours with pay, for each completed eighty (80) hours of service, to a maximum of fifteen days per year for forty (40) hours bargaining unit employees, and twenty-one (21) days per year for fifty (50) hour bargaining unit employees. It shall accumulate without limit.

36.2 Fire Department bargaining unit employees may use sick leave upon approval of the responsible administrative officer, for absence due to personal illness, pregnancy, injury, or death in the employee's immediate household whom the employee supports. Absence due to sickness in the immediate family, requiring the continuing presence of the employee at home, to make arrangements for hospitalization or other care, shall not exceed three (3) consecutive workdays. Additional absence for this purpose may be approved by the Service-Safety Director.

36.3 Fire Department bargaining unit employees unable to report for duty for any of the reasons listed above, must report their anticipated absence to the appropriate superior before the start of their scheduled work day and each succeeding day of absence unless other arrangements are authorized by the officer in charge.

36.6 A fire department bargaining unit employee shall furnish a satisfactory written, signed statement to his department head to justify the use of sick leave. If medical attention is required, a certificate stating the nature of the illness from a licensed physician shall be required to justify the use of sick leave. Falsification of either a written, signed statement or a physician's certificate, shall be grounds for disciplinary action.

36.7 A written, signed statement by a licensed physician may be submitted and/or requested after a Fire Department bargaining unit employee used five (5) days sick leave in a year or three (3) consecutive work days.

The following retirees used sick leave without the appropriate medical excuses for the consecutive pay periods that sick leave was used:

Name	Date that Consecutive Sick Leave Use began	Retirement Date	Sick leave hours used	Amount
George Miller	December 16, 2002	May 18, 2003	624	\$9,722
Phillip Miller	November 3, 2002	March 9, 2003	480	\$6,832
Jerry Primmer	September 23, 2002	March 9, 2003	569	\$8,196

The Service Safety Director and/or Fire Chief did not obtain medical excuses for the consecutive sick leave hours used by these individuals.

In accordance with the foregoing facts pursuant to Ohio Rev. Code Section 117.28, a Finding for Recovery is hereby issued against Steve Sells, Fire Chief, and Earl Strawn, Service-Safety Director, and Trimmer Insurance, who insures the City employees under a general liability policy, jointly and severally, for public money illegally expended in the amount of \$24,750 and in favor of the City's General Fund.

**CITY OF LANCASTER
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2002
(Continued)**

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

Finding Number	2002-002
-----------------------	----------

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 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.

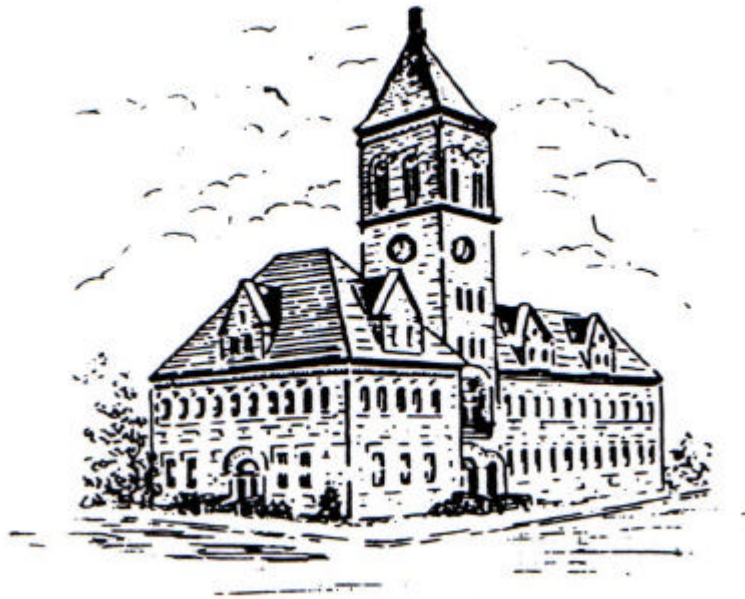
**CITY OF LANCASTER
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2002**

Finding Number	Finding Summary	Fully Corrected?	
2001-20623-001	There was no Tier II SAS 70 report available for the City's Self Insurance Third Party Administrator, EV Benefits.	No	Not Corrected – see Finding Number 2002-002

THE CITY OF LANCASTER, OHIO

FAIRFIELD COUNTY



COMPREHENSIVE
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2002

THE CITY OF LANCASTER, OHIO

FAIRFIELD COUNTY

COMPREHENSIVE
ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2002

Prepared by:
Office of the Auditor

Mary F. Green
City Auditor

Angela Bezouska
Assistant Auditor

Cathy Ryan
Deputy Auditor

Marsha Conrad
Deputy Auditor

Jody Sheets
Deputy Auditor

Denise Hill
Deputy Auditor

This Page is Intentionally Left Blank.

TABLE OF CONTENTS

CITY OF LANCASTER, OHIO FAIRFIELD COUNTY

I INTRODUCTORY SECTION

A	Letter of Transmittal	v
B	List of Principal Officials	xxi
C	City Organizational Chart	xxii
D	Certificate of Achievement	xxiii

II FINANCIAL SECTION

A	INDEPENDENT ACCOUNTANTS' REPORT	1
B	GENERAL PURPOSE FINANCIAL STATEMENTS	
	Combined Financial Statements - Overview	
	Combined Balance Sheet All Fund Types and Account Groups	4
	Combined Statement of Revenues, Expenditures and Changes in Fund Balances All Governmental Fund Types and Expendable Trust Fund	9
	Combined Statement of Revenues, Expenditures and Changes in Fund Balances Budget and Actual (Non-GAAP Budgetary Basis) All Governmental Fund Types	10
	Combined Statement of Revenues, Expenses and Changes in Retained Earnings/Fund Balance All Proprietary Fund Types and Nonexpendable Trust Fund	13
	Combined Statement of Cash Flows All Proprietary Fund Types and Nonexpendable Trust Fund	14
	Notes to the General Purpose Financial Statements	16

C	COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP STATEMENTS AND SCHEDULES	
	General Fund	
	Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis)	50
	Special Revenue Funds	
	Combining Balance Sheet	56
	Combining Statement of Revenues, Expenditures and Changes in Fund Balances	60
	Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual (Non-GAAP Budgetary Basis)	
	Cemetery Fund	64
	Street Construction, Maintenance and Repair Fund	65
	Parks and Recreation Fund	66
	Lancaster Public Transit Program Fund	67
	Family Violence Grant Fund	68
	Law Director Victim Assistance Fund	69
	Lancaster Community Development Fund	70
	Law Enforcement Block Grant Fund	71
	Police and Fire Pension Fund	72
	City Health District Fund	73
	Fairfield County Court Surveillance Fund	74
	Indigent Drivers Alcohol Treatment Fund	75
	Law Enforcement and Education Fund	76
	Municipal Court Computerization Fund	77
	Municipal Court Special Projects Fund	78
	Drug Enforcement Fund	79
	Community Development Block Grant Fund	80
	State Highway Fund	81

Debt Service Funds	
Combining Balance Sheet	83
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	84
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual (Non-GAAP Budgetary Basis)	
General Bond Retirement Fund	85
Special Assessment Debt Retirement Fund	86
Capital Projects Funds	
Combining Balance Sheet	88
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	89
Schedule of Revenues, Expenditures and Changes in Fund Balances Budget and Actual (Non-GAAP Budgetary Basis)	
Capital Improvement Fund	90
Fire Capital Improvement Fund	91
Enterprise Funds	
Combining Balance Sheet	94
Combining Statement of Revenues, Expenses and Changes in Retained Earnings	95
Combining Statement of Cash Flows	96
Internal Service Funds	
Combining Balance Sheet	100
Combining Statement of Revenues, Expenses and Changes in Retained Earnings	101
Combining Statement of Cash Flows	102
Fiduciary Funds	
Combining Balance Sheet	104
Combining Statement of Changes in Assets and Liabilities - Agency Funds	106

General Fixed Assets Account Group

Schedule of General Fixed Assets by Source	109
Schedule of General Fixed Assets by Category	110
Schedule of Changes in General Fixed Assets by Function and Activity	112

III**STATISTICAL SECTION**

General Governmental Expenditures by Function - Last Ten Years	114
General Governmental Revenues By Source - Last Ten Years	115
Property Tax Levies and Collections - Last Ten Years	116
Assessed Valuations and Estimated True Values of Taxable Property - Last Ten Years	117
Property Tax Rates - Direct and Overlapping Governments - Last Ten Years	118
Special Assessment Billings and Collections - Last Ten Years	119
Computation of Legal Debt Margin	120
Ratio of Net General Obligation Bonded Debt to Assessed Value and Net General Obligation Bonded Debt Per Capita - Last Ten Years	121
Ratio of Annual Debt Service Expenditures for General Obligation Bonded Debt to Total General Governmental Expenditures - Last Ten Years	122
Computation of All Direct and Overlapping Governmental Debt	123
Revenue Bond Coverage - Water Pollution Mortgage Bonds - Last Ten Years	124
Demographic Statistics - Last Ten Years	125
Property Value, Construction and Bank Deposits - Last Ten Years	127
Principal Taxpayers (Personal Property Tax)	128
Principal Taxpayers (Real Property and Public Utility Personal Property Tax)	129
Miscellaneous Statistics	130

INTRODUCTORY SECTION



City of Lancaster, Ohio

Mary F. Green, Auditor

104 East Main Street
Lancaster, Ohio 43130-3726

Phone (740) 687-6611
Fax (740) 681-5064

June 20, 2003

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, 2002.

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

Construction for the U.S. Route 33 Lancaster Bypass to carry through US 33 traffic around the City continued in 2002. This "interstate look -alike" highway with a divided four-lane cross-section in a limited-access right-of-way will lessen the traffic on Memorial Drive, and will thus alleviate the traffic congestion in this major commercial corridor. This should attract consumers to shop at the numerous businesses along this corridor, and attract new businesses to the 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. In 2002, City Council declared the installation of supporting infrastructure to the Rock Mill Corporate Park to be the City's number one priority. To that end, a consultant studied and presented three reports recommending the infrastructure necessary to accomplish City Council's goal. Council is striving to have that infrastructure installed by the completion of the Lancaster Bypass in 2005. The immediate needs identified in the study to provide services to the second phase of Rock Mill Corporate Park are programmed to begin construction in 2003.

The City continued its efforts to marketing the excess land it owns at the Lancaster Municipal Gas' (LMG) Operations Building on Camp Ground Road. LMG relocated its operations in 2001 to new facilities constructed on a 35-acre parcel acquired from the Newell Corporation's Anchor Hocking Distribution Center. This property adjoins the Rock Mill Corporate Park. However, LMG's use of the parcel comprises only a small part of the 35-acre parcel. A preliminary 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. At year's end, two parcels had been sold as lot splits and a site plan for one of those lots was under review for its development.

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 as a Municipal Building Annex. Architectural plans were prepared and a contract awarded to renovate the building for the Law Department, and for the Engineering and Information Services Departments to relocate to the Annex.

Renovations include upgrading the heating and cooling systems, removing fire-prone material from the walls, and removing unnecessary walls. This work was underway at the end of the year. These relocations will free up much needed office space for other departments in the Municipal Building to expand into.

Interest in the US Route 33 Northwest, North Memorial Drive, corridor remained strong in 2002. A developer was working with two national restaurant chains to redevelop the former radio station property on the northerly side between Schorrway Drive and Ety Road. A national home improvement center was considering redeveloping the former foundry property along the southerly side of Memorial Drive just east of Ety Road for a new retail store.

Further south on Memorial Drive at the northwest corner of the Fair Avenue intersection, a national pharmacy chain was considering erecting a new retail store. The new business would demolish and replace two closed businesses, while a third business on the site would relocate to another site.

Also on Memorial Drive, Fairfield National Bank completed construction in 2002 of a larger, new office at North Memorial Drive and Arlington Avenue. This office replaced a previous building to offer expanded service at this busy branch. Continuing south, Park Street Plaza, a strip type shopping center, was completed. It is at Memorial Drive and Park Street on the site of the former BP carwash. The center was full at year's end.

Condominium home construction entered the City strongly in 2002. Two developments were under construction at year's end, while another development was preparing preliminary site development plans. The Villas at Sherman's Bluff on newly annexed territory along north SR 37 will add 104 units in two phases. Stonington Village at the northeast corner of Wheeling Road and Pleasantville Road will add 44 units. The proposed Wesley Hills development along the west side of Pleasantville Road north of Wheeling Road will create 58 units if plans are approved. Wesley Hills is a mixed housing development that will also include elderly housing and conventional apartments under current plans. Plans for Ruble Hills, an 86-unit condominium and a 120 single-residence subdivision along Whiley Road were in the preliminary stages for construction in early 2003.

Single residence housing activity remained strong in all parts of the City. River Valley Highlands, a joint Dominion Homes and Rockford Homes project, further expanded in 2002. Infrastructure was added in the sections already approved. Final plat approval was granted to Section 11, Phase 1 and 2. These plats will create an additional 72 lots. The approved portions of River Valley Highlands will continue to supply building lots for another one to two years.

An existing subdivision expanded and new developments were proposed on the City's west side, possibly in anticipation of the Lancaster Bypass. Construction of streets and utilities were being completed for the second phase of Hunters Trace Part V, while plats and construction drawings were approved for the 13 single-residence lot Hunter Trace Part VI. Hunter Trace is off of US 22 on the far west side. Along West Fair Avenue, two developments were proposed for large undeveloped tracts in the City. A developer submitted sketch plats to develop 338 single-residence lots in the Collins Farm Subdivision at the northwest corner of Ety Road. The developer is addressing issues raised by the Planning Commission at year's end. Further west, the developer of the Connor Subdivision was amending the preliminary plat to proceed to a final plat. It will create 153 single-residence lots.

Activity involving smaller subdivisions was strong in other parts of the City in 2002. On the north side, streets and utilities were in to support 15 lots in the Sheridan Rainbow #11 Subdivision, and a preliminary plat was filed for Sheridan Rainbow #12. Nearby, a new developer has submitted a sketch plat to develop the remainder of the Independence Commons Master Plan Area as Brentwood Estates. Independence Commons development began in the mid-1970's, but stalled in the mid-1980's. On the east side of the

City, a sketch plat for Noland Estates for 20 single-residence lots near the junction of East Main Street and Marietta Road had been reviewed.

Two subdivisions provided new lots for single residences on the City's south side. Construction of the 31-lot Twin Creek Subdivision off of Hamburg Road was complete at the end of 2002. Streets and utilities were constructed in the City View Subdivision in 2002 to allow housing construction to begin on 24 lots in that development.

One annexation was accepted in 2002. The Venz/Kimmel annexation brought 9.38 acres into the City from Pleasant Township.

MAJOR INITIATIVES

Construction on the long-awaited US Route 33 Lancaster Bypass continued into its second year in 2002. Phase 1 of this 5 phase project had a number of bridges completed and final grading and base material placed along the highway's mainline at the end of 2002. The Ohio Department of Transportation (ODOT) opened bids and work began on construction of Phase 2 in 2002. Also, ODOT issued bid documents for Phase 3 at the end of 2002. Ultimately, this multi-phase project will route traffic around the City between Horns Mill Road south of Lancaster to Plum Road north of Lancaster. This highway will carry through traffic on U.S. Route 33 around the City, thus taking traffic off of congested Memorial Drive in the City. The new highway will be an "interstate look-alike" with a divided four-lane cross-section in a limited-access right-of-way. This freeway will have full interchanges at both termini, at U.S. Route 22 and at State Route 188; a partial interchange will be constructed at Coonpath Road. This project to alleviate traffic congestion in the City has been in the planning stages since the 1970's. ODOT resurrected the project in 1994, and has moved steadily toward completion since then. A preferred alignment for this \$156M 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. That step cleared the last administrative hurdle so construction could begin in 2001. The first phase will connect US 33 north of the City to State Route 188 west of the City, and should be completed in 2003. Full completion of the bypass is anticipated in late-2005.

The Bypass' interchange with SR 188 will be close 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. In 2002, City Council determined that the development of infrastructure improvements at the Rock Mill Corporate Park to be the City's top priority. This is a continuation of previous improvement projects that provided necessary infrastructure to serve the industrial park in the vicinity of Fair Avenue. The purpose of focusing the City's capital improvement monies in the industrial park is to attract new industries and jobs to Lancaster to restore the income tax base that funds most of the City's basic services, except water, sewer and sanitation. To develop a comprehensive plan to provide necessary services to the industrial park, the City retained the services of a prominent engineering consulting firm to determine the best location and size of services to the park. The study began in 2001. The consultant prepared and presented to City Council reports summarizing the immediate needs for serving the park in 2002. The overall project involves street and roadway reconstruction and improvements, water system improvements including new lines and storage tanks, and new sanitary sewers and a pumping station. The cost to provide the immediate needs for infrastructure to serve Phase 2 of the Rock Mill Corporate Park is estimated to be \$11.6M. City Council's goal is to have the infrastructure necessary to support new industries at Rock Mill Corporate Park in place before completion of the US 33 Lancaster Bypass.

As an outgrowth of the Lancaster Bypass study, the City began a comprehensive master plan study of City-wide water and sanitary sewer system needs. The master plan will create a list of prioritized projects for the City to schedule for future construction.

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 of this project will erect a 2-million gallon water storage tank off of SR 158 near Rainbow Drive. Other work on this project will include a pressure boosting station near Arlington Avenue and Baltimore Road, and a water main extension along Baltimore Road from the booster station to the new storage facility. The City is presently negotiating with a property owner to obtain a suitable site for the water storage tank. Design work can be completed after the storage tank site is acquired. Work is programmed to begin in mid-2003.

The City did not have a contract street resurfacing program again in 2002. However, like 1999 through 2001, the Division of Streets let a bid for the purchase of asphalt concrete material. The Division utilized its own forces and equipment to resurface several streets in the City with the purchased asphalt concrete. However, because of limited funding, the Division of Streets was not able to perform as much resurfacing work as in earlier years.

The Division of Streets began a preventive maintenance program in 2002. The division has been hampered in the past by the lack of equipment when it came to performing preventive maintenance. The Division was able to perform a substantial street surface crack-sealing program in 2002 due to an agreement with a crack seal material supplier to loan the Division the necessary equipment as part of the material purchase. The Division's personnel then perform the work using the supplier's loaned equipment. Also, as part of the division's efforts to stretch its maintenance dollars, it looked at pavement surface treatments other than asphalt concrete overlays to preserve the streets. A bid was let in 2002 for a micro-surfacing program. Under this project, the contractor will lay a stress-absorbing membrane on the existing street pavement, and then cover it with a polymer modified emulsified asphalt surface course. A contract was awarded in 2002, and work is scheduled to begin in summer 2003.

The City and the Ohio Department of Transportation (ODOT) continued joint efforts to plan for the partial reconstruction of existing US 33, Memorial Drive, through the City after the Lancaster Bypass opens. 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. The 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 have been meeting with ODOT officials since 2000 to plan the existing highway reconstruction. 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. The City will be responsible for all other project costs. This project will be bid after the bypass opens. This future construction project will utilize the ODOT contribution as well as the City's allocation of federal surface transportation program (STP) funds. The City will "save" up its annual allocations to pay its share of this project.

ODOT let and administered a project to replace the State Route 793, South Broad Street Bridge over Tarhe Run. The existing bridge was functionally obsolete and was a maintenance problem due to its wood plank deck. The alignment of Tarhe Run approaching the demolished bridge posed a structural concern since the alignment put the structure at risk of a scour failure due to scour holes occurring near the abutments that could undermine them. The existing bridge was demolished. The Tarhe Run channel was then realigned, eliminating the channel's earlier "S" curve at the bridge to mitigate the scour potential. The new bridge is constructed of modular pre-cast concrete units. The new bridge opened to traffic on September 13, 2002.

ODOT started another bridge project in the City in 2002. ODOT will replace and widen the deck on the US 22, East Main Street Bridge over Baldwin Run. A consulting engineer was selected, and design work began in 2002. The present structure was constructed in 1932. It has a narrow pavement width for the four lanes of traffic it carries. The railing on the bridge and the deck are deteriorated from de-icing salts. The superstructure of the bridge will be replaced and the substructure modified to accommodate the wider superstructure. Design work should be completed in 2003. A bid date has not been established.

During 2002, ODOT requested cooperative legislation for resurfacing State Route 37 from Main Street north to the northerly corporation limit. This is the first step for implementing this type of project. The existing road has not been resurfaced for over 10 years. ODOT had resurfaced portions of the road north of the City without performing any work on portions within the City. ODOT has since revised its urban paving policy to provide 80 percent of the cost of a "mill and fill" resurfacing project on state and federal routes within municipalities; the municipality is responsible for all other costs of the project. The resurfacing work is scheduled for 2004. ODOT and the City will develop plans for the project in 2003.

Construction work continued on the 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 the purpose of a new water wellfield and water treatment plant. 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 is being developed under the same construction contract to provide raw water to the plant. Work on the plant and wellfield began in 2000 and continued through 2002 with a June 2003 completion anticipated. The plant is behind schedule due to the late delivery of structural steel, and the need to upgrade security measures that were realized after the September 11, 2001 tragedies. Other parts of the project are complete. Two 500,000-gallon clear wells to store finished water before it's pumped into the distribution system were completed under an earlier contract in 2001. Another part of this multi-part project involved 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 included the installation of large water mains in Canal, High, Chestnut, Lawrence and Ewing Streets in the City. Work began in early 2001 and was substantially complete at the beginning of 2002. 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. The City is funding the work through a low interest Water Supply Revolving Loan Account loans from the Ohio Environmental Protection Agency (OEPA).

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. The TAC is also looking at other storm water related infrastructure needs of the City. The TAC has prepared several policies that will be reviewed by a Citizen's Advisory Committee to be established in 2003. At year's end, it was still unclear to whether the City will need to comply, but the City expects an OEPA decision that 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 Champion Fairfield Upgrade Project, Phase 2 were completed and a construction contract awarded in 2002. Work was substantially completed at year's end. This project installed storm sewers and storm inlets, and reconstructed the existing chip seal street to full-depth asphalt concrete pavement with curb and gutters on the streets in the C. S. Olinger Addition.

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 development. The low-lying ground elevations of this flood plain area aggravate the situation since the outlets of the storm sewers become inundated during high flows in the Hocking River. When the river elevations is above the flap gates on the ends of those sewers, the gates close 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 in 2002. Problems in getting electrical power to the site have delayed completion of the project. Work is expected to resume after American Electric Power installs a permanent power source for the pumps.

Construction plans were completed for improvements to Nolder and Barr Drives in the Lanreco Farms Addition. The area was developed prior to annexation 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, but it is anticipated that part of the project will be bid in 2003. This project will be funded with CDBG and City general fund monies.

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 seepage leach fields, and many of the on-lot seepage 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, and plans and bidding documents were completed in 2002. Bids will be opened in the first quarter of 2003 with construction to begin in the spring of 2003.

The City did not receive a Round 15 State Capital Improvement Program (SCIP) grant from the Ohio Public Works Commission (OPWC) for construction during the 2002 construction year. The OPWC notified the City it would not receive a SCIP Round 16 grant for infrastructure improvements for 2003. In 2002, the City submitted two SCIP Round 17 grant applications to fund construction projects in 2004. The City's priority one project submitted for a grant is the Rock Mill Corporate Park Roadway Improvements, Phase 3 project. This project will reconstruct West Fair Avenue between Camp Ground Road and Collins Road. It is one part of the City's comprehensive program to develop the infrastructure in the Rock Mill Corporate Park to entice new businesses to this industrial park. The 2004 Culvert Replacement Program was submitted as the City's priority two project. This project will replace three functionally obsolete and hydraulically deficient culverts in the City. The City is awaiting a grant determination from OPWC at year's end.

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. Nature and environmental education programs remain popular and have been elevated to a new level. The Nature Center at Alley Park is staffed by an enthusiastic and qualified group of individuals providing a variety of activities throughout the 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 enhance the programs at Olivedale Senior Center. New activities are offered and being accessed by senior citizens throughout Fairfield County.

The offices and maintenance operations of Lancaster Parks and Recreation were moved from a location in Rising Park to their current location of 1507 East Main Street. This has resulted in a much better situation for all aspects of the Park system. Maintenance operations are not creating a negative impact with Rising Park and have gained much needed space. The new location also provides much better visibility and accessibility for citizens needing the services of our many recreation programs, such as signups, registrations, and information.

Fundraising efforts by the Friends of the Parks continues to complete a restoration of a century old log house. The structure has been removed from its original location in Clear Creek Metro Park and awaits reconstruction in Alley Park.

Lancaster Parks and Recreation is funded through a voter-approved income tax that provides for maintenance and operations. This was overwhelmingly renewed in the May primary for another period of five years. We thank the community for their support as we strive to improve the quality of life in Lancaster. Join in on the many activities, programs, and events that are planned throughout the year. For information visit www.lancasterparks.com or call the office at 740-687-6651.

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.

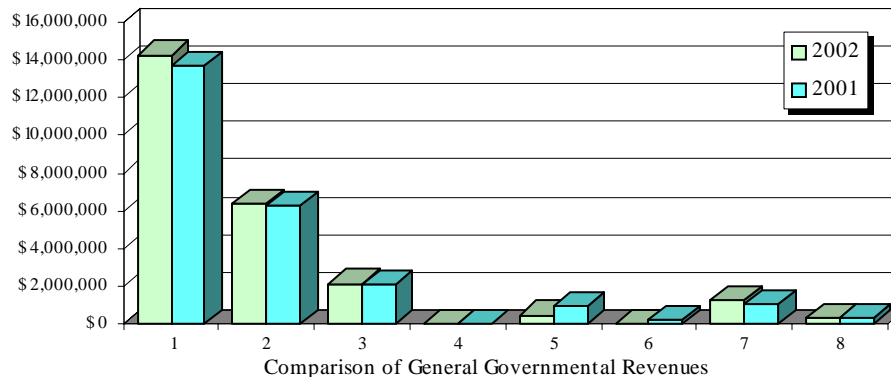
The Auditor's Office is responsible for the auditing and analysis of all purchase orders of the City. Personnel of the Auditor's Office carefully review purchase orders to ensure the availability of monies in the proper funds and accounts prior to the certification and subsequent payment of approved 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, 2002, and the amount and percentage of increases and decreases relative to the prior year's revenue.

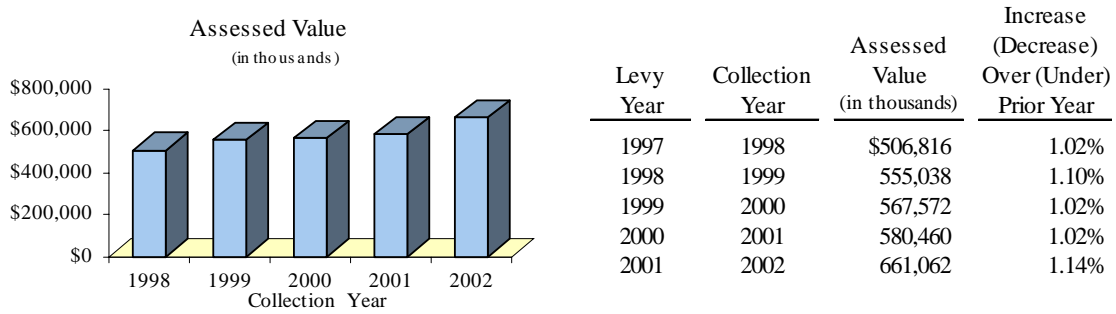
Revenue Source	Total 2002 Revenues	Percent of Total	Total 2001 Revenues	Increase (Decrease) over 2001	% Increase (Decrease) over 2001
1 Taxes	\$14,285,171	57.6%	\$13,680,400	\$604,771	4.4%
2 Intergovernmental Revenues	6,359,393	25.6%	6,266,523	92,870	1.5%
3 Charges for Services	2,141,310	8.6%	2,124,009	17,301	0.8%
4 Licenses, Permits and Fees	18,653	0.1%	17,518	1,135	6.5%
5 Investment Earnings	458,438	1.8%	980,453	(522,015)	(53.2%)
6 Special Assessments	37,480	0.2%	215,585	(178,105)	(82.6%)
7 Fines and Forfeitures	1,213,778	4.9%	1,084,988	128,790	11.9%
8 All Other Revenues	295,931	1.2%	270,083	25,848	9.6%
Total	\$24,810,154	100.0%	\$24,639,559	\$170,595	



Revenue Narrative

The \$.6 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
1997	1998	\$506,816	1.02%
1998	1999	555,038	1.10%
1999	2000	567,572	1.02%
2000	2001	580,460	1.02%
2001	2002	661,062	1.14%

Investment earnings decreased approximately 53% below 2001 because interest rates decreased during 2001. The City's investment policies are discussed in more detail under the topic of "Cash Management."

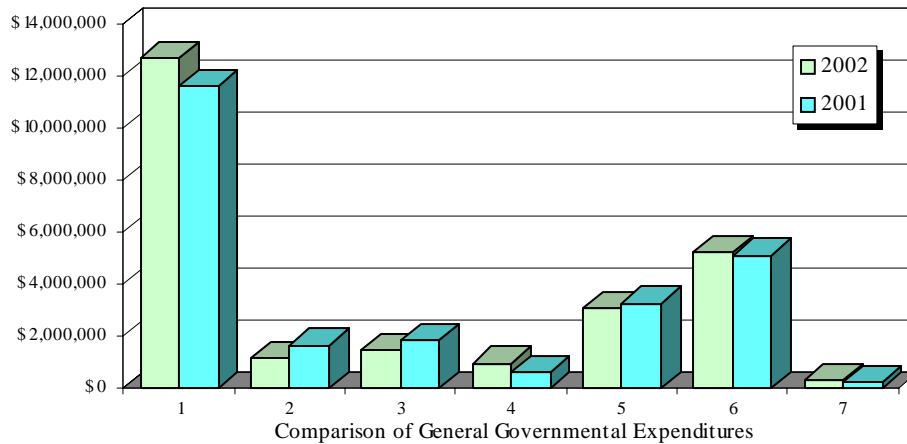
Fines and forfeitures increased as a result of a record amount of cases in the court.

The decrease in special assessments is attributable to special assessments being paid in full, in advance by some property owners in 2001 which did not occur in 2002.

Expenditure Narrative

Expenditures for general governmental purposes (as defined previously) totaled \$24,862,125, an increase of \$517,273 compared to 2001. Expenditures for the major functions of the City, increases/(decreases) over 2001 and percentages of the total are shown in the following table:

Function	Total 2002 Expenditures	Percent of Total	Total 2001 Expenditures	Increase (Decrease) over 2001	% Increase (Decrease) over 2001
1 Security of Persons and Property	\$12,690,508	51.0%	\$11,600,718	\$1,089,790	9.4%
2 Public Health and Welfare	1,140,416	4.6%	1,655,940	(515,524)	(31.1%)
3 Leisure Time Activities	1,474,007	5.9%	1,852,663	(378,656)	(20.4%)
4 Community Environment	957,514	3.9%	605,689	351,825	58.1%
5 Transportation	3,061,935	12.3%	3,273,454	(211,519)	(6.5%)
6 General Government	5,246,602	21.1%	5,113,651	132,951	2.6%
7 Debt Service	291,143	1.2%	242,737	48,406	19.9%
Total	\$24,862,125	100.0%	\$24,344,852	\$517,273	



Expenditures for security of persons and property increased 9% due to a newly negotiated fringe benefit, the Senior Officer Bonus, which is a bonus for officers with 5 years of service or more and wage increases of 4%. The decrease in public health and welfare was the result of the Health department merging with the County's Health Department. Leisure time activities decreased due to a \$450,000 purchase of parkland in 2001. The increase in community environment is a result of additional grant revenue for the lower income-housing program. Transportation expenditures decreased due to a \$190,000 lease purchase of dump trucks in 2001. Expenditures for general government remained steady from 2001 levels. Any increases are attributable to routine increases for materials, supplies, services and wage increases.

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:

	<u>Total Assets</u>	<u>Net Income</u>	<u>Return on Assets</u>
Gas	\$12,827,469	\$4,871,587	37.98%
Water	40,739,843	1,433,638	3.52%
Water Pollution	32,129,578	225,767	0.70%
Sanitation	3,916,420	774,465	19.77%

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 \$229,368 and a nonexpendable trust fund with assets totaling \$713,271. 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 \$1,300,000. 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, 2002 the amount of the loans was \$46,932,034.

General Obligation Notes outstanding at December 31, 2002 were \$1,625,000. 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, 2002 was as follows:

Overall Legal Debt Margin	\$67,799,004
Unvoted Legal Debt Margin	\$34,745,922
Net Bonded Debt to Assessed Value	0%
Net Bonded Debt per Capita	\$0

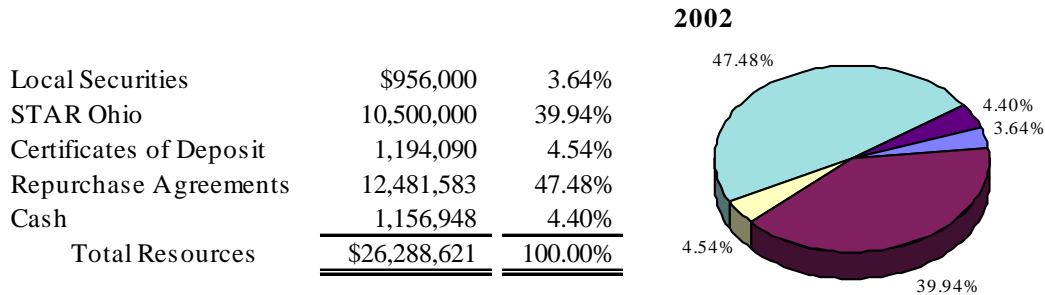
A more thorough presentation of the calculation of these figures is located in the statistical section of the enclosed report.

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, 2002 as follows:



The City earned interest of \$505,692 on investments for fiscal year 2002. 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, 2002, the City had deposits of \$2,260,156 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 3 of the financial statements). All deposits are made under contracts with local banking institutions pursuant to statute.

Risk Management

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

OTHER INFORMATION

Independent Audit

This report includes an unqualified audit report regarding the City's financial statements. The audit was conducted by Betty Montgomery, 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, 2001. This was the sixteenth 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.

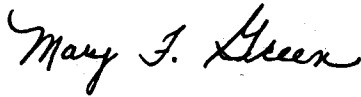
Public Disclosure

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

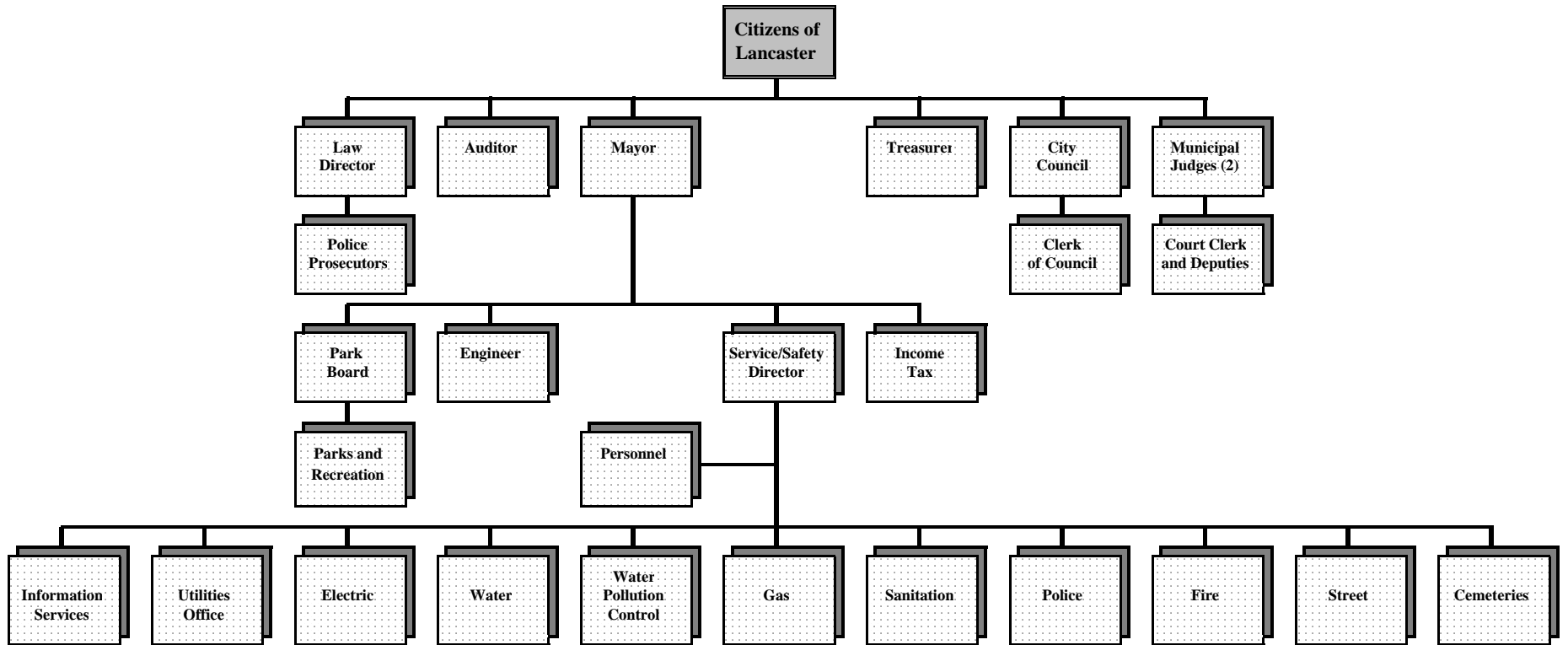
*THE CITY OF LANCASTER, OHIO
FAIRFIELD COUNTY
LIST OF PRINCIPAL OFFICIALS
AS OF DECEMBER 31, 2002*

<u>Name</u>	<u>Title</u>
<hr/> <hr/> <i>Executive Officials</i> <hr/> <hr/>	
Arthur M. Wallace	Mayor
Mary F. Green	Auditor
Terre Vandervoort	Law Director
Jack Rupe	Treasurer
<hr/> <hr/> <i>Legislative Officials</i> <hr/> <hr/>	
Steve Davis	President of Council
Steve Jackson	Council-at-Large
Walter Arrowsmith	Council-at-Large
Karl Justus	Council-at-Large
Wayne Roller	Council - 1st Ward
John Zekas	Council - 2nd Ward
Carl Tatman	Council - 3rd Ward
David Smith	Council - 4th Ward
Harry Hiles	Council - 5th Ward
Rudy Touvell	Council - 6th Ward
<hr/> <hr/> <i>Administrative Officials</i> <hr/> <hr/>	
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, 2001

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



President

Executive Director



FINANCIAL SECTION



**Auditor of State
Betty Montgomery**

INDEPENDENT ACCOUNTANTS' REPORT

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, 2002, 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, 2002, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2003, 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.

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. In our opinion, it is fairly stated in all material respects, in relation to the general purpose financial statements taken as a whole.

City of Lancaster
Fairfield County
Independent Accountants' Report
Page 2

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

BETTY MONTGOMERY
Auditor of State

June 20, 2003

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, 2002 AND THE RESULTS OF OPERATIONS AND CASH FLOWS OF ITS PROPRIETARY AND NONEXPENDABLE TRUST FUND FOR THE YEAR THEN ENDED.

THE CITY OF LANCASTER, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002

	<i>Governmental</i>			
	<i>Fund Types</i>			
	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
<u>Assets and Other Debits:</u>				
Assets:				
Cash and Cash Equivalents	\$2,194,539	\$2,164,159	\$12,532	\$1,516,279
Investments	956,000	0	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	3,490,108	610,198	0	39,716
Accounts	78,435	65,416	0	0
Special Assessments	0	0	725,525	0
Interest	30,058	771	0	0
Loans	0	1,200,164	0	0
Due from Other Funds	119,183	20,381	0	0
Intergovernmental Receivables	1,640,143	1,373,611	0	0
Inventory of Supplies at Cost	145,329	152,860	0	0
Prepaid Items	48,519	9,856	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	6,656	0	31,469
Investments	0	0	0	0
Cash with Fiscal Agent	8,106	0	0	0
Fixed Assets (net of accumulated depreciation)	0	0	0	0
Other Debits:				
Amount Available in Debt Service Funds	0	0	0	0
Amount to be Provided for General Long-Term Obligations	0	0	0	0
Total Assets and Other Debits	<u>\$8,710,420</u>	<u>\$5,604,072</u>	<u>\$738,057</u>	<u>\$1,587,464</u>

THE CITY OF LANCASTER, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002

<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	
\$16,031,351	\$873,412	\$198,920	\$0	\$0	\$22,991,192
0	0	739,019	0	0	1,695,019
0	0	0	0	0	4,140,022
6,249,427	0	4,643	0	0	6,397,921
0	0	0	0	0	725,525
0	0	2,757	0	0	33,586
0	0	0	0	0	1,200,164
0	0	4,627	0	0	144,191
0	0	0	0	0	3,013,754
1,349,547	162,443	0	0	0	1,810,179
28,983	39,035	0	0	0	126,393
1,067,427	0	174,150	0	0	1,279,702
314,602	0	0	0	0	314,602
0	0	0	0	0	8,106
64,571,973	704,214	0	10,391,488	0	75,667,675
0	0	0	0	12,532	12,532
0	0	0	0	7,178,522	7,178,522
<u>\$89,613,310</u>	<u>\$1,779,104</u>	<u>\$1,124,116</u>	<u>\$10,391,488</u>	<u>\$7,191,054</u>	<u>\$126,739,085</u>

(Continued)

THE CITY OF LANCASTER, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
DECEMBER 31, 2002

Governmental
Fund Types

	General Fund	Special Revenue Funds	Debt Service Funds	Capital Projects Funds
<u>Liabilities, Equity and Other Credits:</u>				
Liabilities:				
Accounts Payable	\$152,311	\$93,097	\$0	\$52,286
Accrued Wages and Benefits	1,158,294	217,280	0	0
Due to Other Funds	0	0	0	0
Intergovernmental Payables	7,131	7,200	0	0
Due to Others	0	0	0	0
Retainage Payable	0	0	0	31,469
Accrued Interest Payable	0	0	0	13,189
Deferred Revenue	3,083,317	1,357,479	725,525	13,578
General Obligation Notes Payable	0	0	0	1,200,000
Compensated Absences Payable	27,038	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>4,428,091</u>	<u>1,675,056</u>	<u>725,525</u>	<u>1,310,522</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	232,156	258,615	0	865,414
Reserved for Supplies Inventory	145,329	152,860	0	0
Reserved for Prepaid Items	48,519	9,856	0	0
Reserved for Debt Service	0	0	12,532	0
Reserved for Loans Receivable	0	1,200,164	0	0
Reserved for Endowments	0	0	0	0
Unreserved:				
Undesignated	3,856,325	2,307,521	0	(588,472)
Total Equity and Other Credits	<u>4,282,329</u>	<u>3,929,016</u>	<u>12,532</u>	<u>276,942</u>
Total Liabilities, Equity and Other Credits	<u>\$8,710,420</u>	<u>\$5,604,072</u>	<u>\$738,057</u>	<u>\$1,587,464</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, 2002

<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	
\$2,119,840	\$27,209	\$0	\$0	\$0	\$2,444,743
458,588	109,963	0	0	0	1,944,125
53,824	0	90,367	0	0	144,191
12,100	0	4,627	0	0	31,058
210,728	0	86,483	0	0	297,211
679,760	0	0	0	0	711,229
0	0	0	0	0	13,189
0	0	3,869	0	0	5,183,768
0	0	0	0	425,000	1,625,000
849,347	201,772	0	0	1,955,808	3,033,965
2,179,602	0	0	0	0	2,179,602
23,687	20,292	0	0	1,038,611	1,082,590
0	443,095	0	0	0	443,095
0	0	0	0	356,000	356,000
0	0	0	0	1,300,000	1,300,000
0	0	0	0	115,635	115,635
0	0	0	0	0	0
46,932,034	0	0	0	2,000,000	48,932,034
<u>53,519,510</u>	<u>802,331</u>	<u>185,346</u>	<u>0</u>	<u>7,191,054</u>	<u>69,837,435</u>
0	0	0	10,391,488	0	10,391,488
2,222,182	84,751	0	0	0	2,306,933
33,871,618	892,022	0	0	0	34,763,640
0	0	0	0	0	1,356,185
0	0	0	0	0	298,189
0	0	0	0	0	58,375
0	0	0	0	0	12,532
0	0	0	0	0	1,200,164
0	0	713,271	0	0	713,271
0	0	225,499	0	0	5,800,873
<u>36,093,800</u>	<u>976,773</u>	<u>938,770</u>	<u>10,391,488</u>	<u>0</u>	<u>56,901,650</u>
<u>\$89,613,310</u>	<u>\$1,779,104</u>	<u>\$1,124,116</u>	<u>\$10,391,488</u>	<u>\$7,191,054</u>	<u>\$126,739,085</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, 2002

	<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 Funds	Expendable Trust Fund	
Revenues:						
Taxes	\$12,813,355	\$1,471,816	\$0	\$219,783	\$0	\$14,504,954
Intergovernmental Revenues	2,834,865	3,524,528	0	299,848	0	6,659,241
Charges for Services	1,284,855	856,455	0	0	36,397	2,177,707
Licenses, Permits and Fees	18,444	209	0	0	0	18,653
Investment Earnings	443,553	14,885	0	0	8,944	467,382
Special Assessments	0	0	37,480	0	0	37,480
Fines and Forfeitures	868,020	345,758	0	0	0	1,213,778
All Other Revenues	243,066	52,865	0	29,583	0	325,514
Total Revenues	<u>18,506,158</u>	<u>6,266,516</u>	<u>37,480</u>	<u>549,214</u>	<u>45,341</u>	<u>25,404,709</u>
Expenditures:						
Current:						
Security of Persons and Property	12,056,717	633,791	0	0	0	12,690,508
Public Health and Welfare Services	245,068	895,348	0	0	28,400	1,168,816
Leisure Time Activities	7,322	1,466,685	0	0	0	1,474,007
Community Environment	84,199	873,315	0	0	0	957,514
Transportation	0	3,061,935	0	0	0	3,061,935
General Government	4,963,811	282,791	0	0	0	5,246,602
Capital Outlay	0	0	0	1,088,656	0	1,088,656
Debt Service:						
Principal Retirement	0	90,000	14,043	0	0	104,043
Interest and Fiscal Charges	0	97,740	89,360	48,084	0	235,184
Total Expenditures	<u>17,357,117</u>	<u>7,401,605</u>	<u>103,403</u>	<u>1,136,740</u>	<u>28,400</u>	<u>26,027,265</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,149,041	(1,135,089)	(65,923)	(587,526)	16,941	(622,556)
Other Financing Sources (Uses):						
Proceeds from General Obligation Notes	0	0	0	425,000	0	425,000
Operating Transfers In	40,700	2,011,015	69,880	594,000	0	2,715,595
Operating Transfers Out	(2,068,445)	(181,400)	0	(465,750)	0	(2,715,595)
Other Financing Sources-Capital Lease	127,540	0	0	0	0	127,540
Total Other Financing Sources (Uses)	<u>(1,900,205)</u>	<u>1,829,615</u>	<u>69,880</u>	<u>553,250</u>	<u>0</u>	<u>552,540</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(751,164)	694,526	3,957	(34,276)	16,941	(70,016)
Fund Balance Beginning of Year	5,004,728	3,242,477	8,575	311,218	208,558	8,775,556
Increase (Decrease) in Inventory Reserve	28,765	(7,987)	0	0	0	20,778
Fund Balance End of Year	<u>\$4,282,329</u>	<u>\$3,929,016</u>	<u>\$12,532</u>	<u>\$276,942</u>	<u>\$225,499</u>	<u>\$8,726,318</u>

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, 2002

	<u>General Fund</u>			<u>Special Revenue Funds</u>		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
Taxes	\$13,417,281	\$13,824,149	\$406,868	\$1,518,749	\$1,588,608	\$69,859
Intergovernmental Revenues	3,317,735	2,557,221	(760,514)	3,424,087	3,329,117	(94,970)
Charges for Services	1,202,029	1,275,904	73,875	914,048	935,912	21,864
Licenses and Permits	16,000	12,144	(3,856)	200	209	9
Investment Earnings	537,110	448,765	(88,345)	22,291	13,534	(8,757)
Special Assessments	0	0	0	0	0	0
Fines and Forfeitures	831,500	854,653	23,153	265,000	342,337	77,337
All Other Revenues	273,800	261,175	(12,625)	58,206	64,149	5,943
Total Revenues	<u>19,595,455</u>	<u>19,234,011</u>	<u>(361,444)</u>	<u>6,202,581</u>	<u>6,273,866</u>	<u>71,285</u>
Expenditures:						
Current:						
Security of Persons and Property	12,654,613	11,909,351	745,262	632,564	636,965	(4,401)
Public Health and Welfare Services	229,637	245,068	(15,431)	1,014,620	997,460	17,160
Leisure Time Activities	12,550	7,351	5,199	1,525,990	1,460,768	65,222
Community Environment	103,010	97,974	5,036	1,160,689	1,095,816	64,873
Transportation	0	0	0	3,491,316	3,267,671	223,645
General Government	5,978,986	5,615,589	363,397	321,550	315,742	5,808
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	83,457	83,457	0
Total Expenditures	<u>18,978,796</u>	<u>17,875,333</u>	<u>1,103,463</u>	<u>8,320,186</u>	<u>7,947,879</u>	<u>372,307</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	616,659	1,358,678	742,019	(2,117,605)	(1,674,013)	443,592
Other Financing Sources (Uses):						
Proceeds from General Obligation Notes	0	0	0	0	0	0
Operating Transfers In	533,200	533,200	0	1,536,182	1,586,858	50,676
Operating Transfers Out	(2,095,003)	(2,068,445)	26,558	(181,400)	(181,400)	0
Total Other Financing Sources (Uses)	<u>(1,561,803)</u>	<u>(1,535,245)</u>	<u>26,558</u>	<u>1,354,782</u>	<u>1,405,458</u>	<u>50,676</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(945,144)	(176,567)	768,577	(762,823)	(268,555)	494,268
Fund Balance at Beginning of Year	2,404,628	2,404,628	0	2,001,857	2,001,857	0
Prior Year Encumbrances	582,334	582,334	0	143,481	143,481	0
Fund Balance at End of Year	<u>\$2,041,818</u>	<u>\$2,810,395</u>	<u>\$768,577</u>	<u>\$1,382,515</u>	<u>\$1,876,783</u>	<u>\$494,268</u>

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, 2002

<i>Debt Service Funds</i>			<i>Capital Projects Funds</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	\$230,016	\$241,682	\$11,666	\$15,166,046	\$15,654,439	\$488,393
0	0	0	223,611	299,848	76,237	6,965,433	6,186,186	(779,247)
0	0	0	0	0	0	2,116,077	2,211,816	95,739
0	0	0	0	0	0	16,200	12,353	(3,847)
0	0	0	31	456	425	559,432	462,755	(96,677)
37,480	37,480	0	0	0	0	37,480	37,480	0
0	0	0	0	0	0	1,096,500	1,196,990	100,490
0	0	0	170,441	61,173	(109,268)	502,447	386,497	(115,950)
37,480	37,480	0	624,099	603,159	(20,940)	26,459,615	26,148,516	(311,099)
0	0	0	0	0	0	13,287,177	12,546,316	740,861
0	0	0	0	0	0	1,244,257	1,242,528	1,729
0	0	0	0	0	0	1,538,540	1,468,119	70,421
0	0	0	0	0	0	1,263,699	1,193,790	69,909
0	0	0	0	0	0	3,491,316	3,267,671	223,645
0	0	0	0	0	0	6,300,536	5,931,331	369,205
0	0	0	2,382,093	2,146,121	235,972	2,382,093	2,146,121	235,972
14,043	14,043	0	1,875,000	1,875,000	0	1,979,043	1,979,043	0
59,360	89,360	(30,000)	73,679	67,289	6,390	216,496	240,106	(23,610)
73,403	103,403	(30,000)	4,330,772	4,088,410	242,362	31,703,157	30,015,025	1,688,132
(35,923)	(65,923)	(30,000)	(3,706,673)	(3,485,251)	221,422	(5,243,542)	(3,866,509)	1,377,033
0	0	0	1,625,000	1,625,000	0	1,625,000	1,625,000	0
69,880	69,880	0	894,000	594,000	(300,000)	3,033,262	2,783,938	(249,324)
0	0	0	0	0	0	(2,276,403)	(2,249,845)	26,558
69,880	69,880	0	2,519,000	2,219,000	(300,000)	2,381,859	2,159,093	(222,766)
33,957	3,957	(30,000)	(1,187,673)	(1,266,251)	(78,578)	(2,861,683)	(1,707,416)	1,154,267
8,575	8,575	0	1,262,545	1,262,545	0	5,677,605	5,677,605	0
0	0	0	637,845	637,845	0	1,363,660	1,363,660	0
\$42,532	\$12,532	(\$30,000)	\$712,717	\$634,139	(\$78,578)	\$4,179,582	\$5,333,849	\$1,154,267



THE CITY OF LANCASTER, OHIO
COMBINED STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS/FUND BALANCE
ALL PROPRIETARY FUND TYPES AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED DECEMBER 31, 2002

	<i>Proprietary Fund Types</i>		<i>Fiduciary Fund Type</i>	Totals (Memorandum Only)
	Enterprise Funds	Internal Service Funds	Nonexpendable Trust Fund	
<u>Operating Revenues:</u>				
Charges for Services	\$33,461,542	\$6,313,938	\$17,476	\$39,792,956
Other Operating Revenues	869,168	34,245	0	903,413
Investment Earnings	0	0	29,009	29,009
Total Operating Revenues	<u>34,330,710</u>	<u>6,348,183</u>	<u>46,485</u>	<u>40,725,378</u>
<u>Operating Expenses:</u>				
Personal Services	7,030,727	5,494,676	41,593	12,566,996
Materials and Supplies	11,781,128	300,605	0	12,081,733
Contractual Services	3,669,486	217,111	0	3,886,597
Depreciation	3,214,896	130,280	0	3,345,176
Other Operating Expenses	115,168	0	0	115,168
Total Operating Expenses	<u>25,811,405</u>	<u>6,142,672</u>	<u>41,593</u>	<u>31,995,670</u>
Operating Income	8,519,305	205,511	4,892	8,729,708
<u>Non-Operating Revenues (Expenses):</u>				
Investment Earnings	9,301	0	0	9,301
Interest and Fiscal Charges	(1,300,945)	0	0	(1,300,945)
Gain on Sale of Land	90,194	0	0	90,194
Nonoperating Revenue	0	9,086	0	9,086
Loss on Disposal of Fixed Assets	(12,398)	(7,494)	0	(19,892)
Total Non-Operating Revenues (Expenses)	<u>(1,213,848)</u>	<u>1,592</u>	<u>0</u>	<u>(1,212,256)</u>
Net Income	7,305,457	207,103	4,892	7,517,452
Add: Depreciation Charged on Contributed Capital	184,696	0	0	184,696
Retained Earnings/ Fund Balance at Beginning of Year	<u>26,381,465</u>	<u>684,919</u>	<u>708,379</u>	<u>27,774,763</u>
Retained Earnings/Fund Balance at End of Year	<u>\$33,871,618</u>	<u>\$892,022</u>	<u>\$713,271</u>	<u>\$35,476,911</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, 2002

	<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	\$32,065,650	\$6,364,433	\$29,341	\$38,459,424
Cash Payments for Goods and Services	(17,989,690)	(473,703)	0	(18,463,393)
Cash Payments to and on behalf of Employees	(6,967,342)	(5,660,514)	(41,593)	(12,669,449)
Customer Deposits Received	161,193	0	0	161,193
Customer Deposits Returned	(147,985)	0	0	(147,985)
Net Cash Provided (Used) by Operating Activities	<u>7,121,826</u>	<u>230,216</u>	<u>(12,252)</u>	<u>7,339,790</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Proceeds from Ohio Water Development Authority Loans	12,705,027	0	0	12,705,027
Proceeds from Sale of Land	120,347	0	0	120,347
Acquisition and Construction of Assets	(14,287,496)	(162,482)	0	(14,449,978)
Capital Lease Payments	(2,539)	(22,264)	0	(24,803)
Principal Paid on Ohio				
Water Development Authority Loans	(1,446,543)	0	0	(1,446,543)
Interest Paid on All Debt	(1,300,945)	0	0	(1,300,945)
Net Cash Used for Capital and Related Financing Activities	<u>(4,212,149)</u>	<u>(184,746)</u>	<u>0</u>	<u>(4,396,895)</u>
<u>Cash Flows from Investing Activities:</u>				
Sale of Investments	147,937	0	50,995	198,932
Receipt of Investment Earnings	29,874	0	29,660	59,534
Net Cash Provided by Investing Activities	<u>177,811</u>	<u>0</u>	<u>80,655</u>	<u>258,466</u>
Net Increase in Cash and Cash Equivalents	3,087,488	45,470	68,403	3,201,361
Cash and Cash Equivalents at Beginning of Year	14,011,290	827,942	81,341	14,920,573
Cash and Cash Equivalents at End of Year	<u>\$17,098,778</u>	<u>\$873,412</u>	<u>\$149,744</u>	<u>\$18,121,934</u>
<u>Reconciliation of Cash and</u>				
<u>Cash Equivalents per the Balance Sheet:</u>				
Cash and Cash Equivalents	\$16,031,351	\$873,412	\$198,920	\$17,103,683
Less: Cash and Cash Equivalents in				
Agency and Expendable Trust Funds	0	0	(49,176)	(49,176)
Restricted Cash and Cash Equivalents	1,067,427	0	0	1,067,427
Restricted Cash with Fiscal Agent	0	0	174,150	174,150
Less: Restricted Cash in Agency Funds	0	0	(174,150)	(174,150)
Cash and Cash Equivalents at End of Year	<u>\$17,098,778</u>	<u>\$873,412</u>	<u>\$149,744</u>	<u>\$18,121,934</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, 2002

	<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	
Reconciliation of Operating Income to Net Cash				
<u>Provided (Used) by Operating Activities:</u>				
Operating Income	\$8,519,305	\$205,511	\$4,892	\$8,729,708
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	3,214,896	130,280	0	3,345,176
Interest on Investments	0	0	(29,009)	(29,009)
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(2,149,892)	16,000	11,865	(2,122,027)
Decrease in Intergovernmental Receivable	0	250	0	250
Decrease in Inventory	525,567	38,410	0	563,977
Increase in Prepaid Items	(4,523)	(36,651)	0	(41,174)
Increase (Decrease) in Accounts Payable	(3,042,516)	5,550	0	(3,036,966)
Increase in Accrued Wages and Benefits	69,457	19,674	0	89,131
Increase in Due to Other Funds	21,841	0	0	21,841
Increase in Intergovernmental Payable	886	0	0	886
Increase in Customer Deposits	13,208	0	0	13,208
Decrease in Landfill Postclosure Care Liability	(44,690)	0	0	(44,690)
Increase (Decrease) in Compensated Absences	(1,713)	16,503	0	14,790
Decrease in Claims Payable	0	(165,311)	0	(165,311)
Total Adjustments	(1,397,479)	24,705	(17,144)	(1,389,918)
Net Cash Provided (Used) by Operating Activities	<u>\$7,121,826</u>	<u>\$230,216</u>	<u>(\$12,252)</u>	<u>\$7,339,790</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2002 the Gas, Water, Water Pollution, Sanitation, Utilities and Information Services Funds had outstanding liabilities of \$7,618, \$35,492, \$164,887, \$34,500, \$5,490, and \$2,629 respectively for certain capital assets. During 2002, the Water Fund incurred a liability of \$603,980 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 \$502,355 to the Ohio Water Development Authority for fees and capitalized interest charged by the Authority. During 2002, the Water Fund and the Electric Fund entered into a \$26,226 and a \$2,774 capital lease for copiers. During 2002, the Information Services Fund received capital assets from the General Fixed Assets Account Group with a net book value of \$9,086.

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, 2002

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, 2002 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.

The City participates in several Jointly Governed Organizations that are further described in Note 18.

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 Funds - These funds are 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, 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 and 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, 2002 but are not intended to finance 2002 operations, and delinquent property taxes whose availability is indeterminate, are recorded as deferred revenue.

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 2002.

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 2002, 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 Funds
GAAP Basis (as reported)	(\$751,164)	\$694,526	\$3,957	(\$34,276)
Increase (Decrease):				
Accrued Revenues at December 31, 2002 received during 2003	(2,271,002)	(1,869,170)	0	(26,138)
Accrued Revenues at December 31, 2001 received during 2002	2,980,779	1,654,629	0	48,191
Accrued Expenditures at December 31, 2002 paid during 2003	1,344,774	317,577	0	96,944
Accrued Expenditures at December 31, 2001 paid during 2002	(1,131,471)	(327,205)	0	(212,363)
2001 Prepays for 2002	40,180	8,320	0	0
2002 Prepays for 2003	(48,519)	(9,856)	0	0
Proceeds of Notes Payable	0	0	0	1,200,000
Note Retirements	0	(450,000)	0	(1,425,000)
Outstanding Encumbrances	(340,144)	(287,376)	0	(913,609)
Budget Basis	<u>(\$176,567)</u>	<u>(\$268,555)</u>	<u>\$3,957</u>	<u>(\$1,266,251)</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 3, "Cash, Cash Equivalents and Investments."

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

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 STAR Ohio during 2002. 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, 2002. See Note 3, "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 2002 is \$502,355 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
Infrastructure	10-25
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)

Obligation	Fund
Capital Leases	General Fund Street Construction, Maintenance and Repair Fund City Health District Fund General Bond Retirement Fund Water 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 except for certain police officers and communication technicians who receive 25% of amounts over 960 hours. The prorata amount is determined in each negotiated work agreement with the City.

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered and it is probable that the City will compensate the employees for the benefits at termination or retirement. The City uses the vesting method for determining the liability for sick leave. 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 2002.

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 - COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Equities

The fund deficit at December 31, 2002 of \$31,853 in the Lancaster Public Transit Program Fund (special revenue fund) arises from the recognition of expenditures on the modified accrual basis which are greater than expenditures recognized on the budgetary basis. A deficit does not exist under the cash basis of accounting. The accumulated deficit of \$1,924,694 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, 2002 of \$394,179 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, 2002, expenditures exceeded appropriations at the object level (i.e., the legal level of budgetary control) as follows:

<u>Fund</u>	<u>Excess</u>
General Fund:	
Public Health and Welfare Services:	
Health	
Operations and Maintenance	\$15,931
Special Revenue Fund:	
Drug Enforcement Fund:	
Security of Persons and Property:	
Operations and Maintenance	6,119
Debt Service Fund:	
General Debt Retirement:	
Debt Service:	
Interest and Fiscal Charges	30,000

The excess expenditures were funded from available fund balance.

NOTE 3 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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.

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

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

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

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

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 3 - 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 \$2,351,038 (including cash with fiscal agents) and the bank balance was \$2,837,356. Federal depository insurance covered \$577,200 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 \$385,288 earned by other funds was credited to the General Fund as required by state statute.

B. Investments

The City's investments at December 31, 2002 are summarized below:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
Local Securities	\$956,000	\$0	\$956,000
Repurchase Agreement	0	12,481,583	12,481,583
Total Categorized Investments	<u>956,000</u>	<u>12,481,583</u>	<u>13,437,583</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>\$956,000</u>	<u>\$12,481,583</u>	<u>\$23,937,583</u>

NOTE 3 - 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	\$24,279,000	\$2,009,621
Certificates of Deposit (with maturities of more than 3 months)	1,053,621	(1,053,621)
Investments:		
STAR Ohio	(10,500,000)	10,500,000
Repurchase Agreement	<u>(12,481,583)</u>	<u>12,481,583</u>
Per GASB Statement No. 3	<u>\$2,351,038</u>	<u>\$23,937,583</u>

* Includes Cash with Fiscal Agent

NOTE 4 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2002 were levied after October 1, 2001 on assessed values as of January 1, 2001, 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 2001. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 31; if paid semiannually, the first payment is due February and the remainder payable in July. Under certain circumstances, state statute permits later payment dates to be established.

Taxes collected from tangible personal property (other than public utility) in one calendar year are levied in the prior calendar year on assessed values during and at the close of the most recent fiscal year of the taxpayer that ended on or before March 31 of that calendar year, and at the tax rates determined in the preceding year. Tangible personal property used in business (except for public utilities) is currently assessed for ad valorem taxation purposes at 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 4 - TAXES (Continued)

A. Property Taxes (Continued)

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

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

The full tax rate for the City's operations for the year ended December 31, 2002 was \$3.40 per \$1,000 of assessed value. The assessed value upon which the 2002 property tax receipts were based was \$661,061,641. This amount constitutes \$553,938,230 in real property assessed value, \$91,377,351 in tangible personal property assessed value and \$15,746,060 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 5 - RECEIVABLES

Receivables at December 31, 2002 consisted of taxes, accounts, special assessments, interest, loans and intergovernmental receivables arising from shared revenues.

NOTE 6 – DUE FROM/DUE TO OTHER FUNDS

Interfund balances at December 31, 2002 consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$119,183	\$0
Special Revenue Funds:		
Indigent Drivers Alcohol Treatment	1,351	0
Law Enforcement and Education	335	0
Municipal Court Computerization	10,248	
Municipal Court Special Projects	<u>8,447</u>	<u>0</u>
Total Special Revenue Funds	20,381	0
Enterprise Fund:		
Sanitation	0	53,824
Agency Funds:		
Municipal Court	0	90,367
Law Library	<u>4,627</u>	<u>0</u>
Total Agency Funds	<u>4,627</u>	<u>90,367</u>
Totals	<u>\$144,191</u>	<u>\$144,191</u>

This space intentionally left blank

NOTE 7 - OPERATING TRANSFERS

Following is a summary of operating transfers in and out for all funds for 2002:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$40,700	\$2,068,445
Special Revenue Funds:		
Cemetery	266,952	0
Street Construction, Maintenance and Repair	1,177,378	100,000
Parks and Recreation	465,750	0
Lancaster Public Transit Program	50,000	0
Family Violence Grant	15,560	0
Law Director Victim Assistance	11,182	0
Law Enforcement Block Grant	3,330	0
City Health District	20,863	0
State Highway	0	81,400
Total Special Revenue Funds	2,011,015	181,400
Debt Service Funds:		
General Bond Retirement	67,000	0
Special Assessment Debt Retirement	2,880	0
Total Debt Service Funds	69,880	0
Capital Projects Funds:		
Capital Improvement	494,000	465,750
Fire Capital Improvement	100,000	0
Total Capital Projects Funds	594,000	465,750
Totals	<u>\$2,715,595</u>	<u>\$2,715,595</u>

NOTE 8 - FIXED ASSETS

A. General Fixed Assets

Summary by Category of Changes in General Fixed Assets:

Category	December 31, 2001	Additions	Deletions	December 31, 2002
Land	\$1,996,686	\$0	\$0	\$1,996,686
Buildings	6,127,559	0	0	6,127,559
Improvements				
Other than Buildings	4,741,913	9,096	(4,001)	4,747,008
Vehicles	3,728,752	413,009	0	4,141,761
Equipment	3,879,521	350,076	(181,619)	4,047,978
Totals	20,474,431	772,181	(185,620)	21,060,992
Less: Accumulated				
Depreciation	(10,135,934)	(894,743)	151,524	(10,879,153)
Construction in Progress	34,201	175,448	0	209,649
Net	<u>\$10,372,698</u>	<u>\$52,886</u>	<u>(\$34,096)</u>	<u>\$10,391,488</u>

B. Proprietary Fixed Assets

Summary by Category at December 31, 2002:

Category	Historic Cost	Accumulated Depreciation	Book Value
Enterprise			
Land	\$1,114,876	\$0	\$1,114,876
Buildings	13,676,460	(5,588,253)	8,088,207
Improvements	31,443,112	(12,690,107)	18,753,005
Infrastructure	30,606,483	(16,570,035)	14,036,448
Machinery and Equipment	6,169,121	(4,708,473)	1,460,648
Vehicles	2,926,549	(2,195,861)	730,688
Construction in Progress	20,388,101	0	20,388,101
Property, Plant and Equipment	<u>\$106,324,702</u>	<u>(\$41,752,729)</u>	<u>\$64,571,973</u>
Internal Service			
Buildings	\$88,880	(\$54,591)	\$34,289
Improvements	19,981	(11,896)	8,085
Infrastructure	931,076	(641,047)	290,029
Machinery and Equipment	701,376	(436,792)	264,584
Vehicles	392,427	(285,200)	107,227
Property, Plant and Equipment	<u>\$2,133,740</u>	<u>(\$1,429,526)</u>	<u>\$704,214</u>

NOTE 9 – DEFINED BENEFIT PENSION PLANS

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

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

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

All employees of the City, except full-time uniformed police officers and full-time firefighters, participate in the Ohio PERS, a cost-sharing multiple employer defined benefit pension plan. The Ohio PERS 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 Ohio Public Employees Retirement System issues a stand-alone financial report that includes financial statements and required supplementary information for the Ohio PERS. Interested parties may obtain a copy by making a written request to 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 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 2002 employer contribution rate for local government employer units was 13.55%, of covered payroll, 8.55% to fund the pension and 5.0% to fund health care. The contribution requirements of plan members and the City are established and may be amended by the Public Employees Retirement Board. The City's contributions to the Ohio PERS for the years ending December 31, 2002, 2001 and 2000 were \$1,495,828, \$1,523,934 and \$1,195,547, respectively, which were equal to the required contributions for each year.

The Ohio PERS 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 Ohio PERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12. A portion of each employer's contribution to the Ohio PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund postemployment health care through their contributions to the Ohio PERS. The portion of the 2002 employer contribution rate (identified above) that was used to fund health care for the year 2002 was 5.0% of covered payroll which amounted to \$551,966.

The significant actuarial assumptions and calculations relating to postemployment health care benefits were based on the Ohio Public Employees Retirement System's latest actuarial review performed as of December 31, 2001. 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 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 2001 was 8.0%. An annual increase of 4.0% compounded annually, is the base portion of the individual pay increase assumption. This assumes no change in the number of active employees.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

Additionally, annual pay increases, over and above the 4.0% base increase, were assumed to range from 0.5% to 6.3%. Health care costs were assumed to increase 4.0% annually.

Benefits are advanced-funded on an actuarially determined basis. The number of active contributing participants was 402,041. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2001 is \$11.6 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$16.4 billion and \$4.8 billion, 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, 2002, 2001 and 2000 were \$579,430, \$500,674 and \$488,541 for police and \$854,147, \$805,188 and \$820,990 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 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The portion of the 2002 covered payroll that was used to fund postemployment health care benefits was \$230,286 representing 7.75% of covered payroll for police and \$275,818 representing 7.75% of covered payroll for fire. Health care funding and accounting was on a pay-as-you-go basis. In addition, since July 1, 1992 most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment. As of December 31, 2001, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,174 for police and 10,239 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, 2001 were \$122,298,771, which was net of member contributions of \$6,874,699.

NOTE 10 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources. The City is retiring its notes by the issuance of one year renewal notes with a portion of the principal being retired in accordance with the above provisions. The City has purchased its own Notes Payables for Rising Park Improvements/Land Acquisition. This note is recorded as an investment in the General Fund. \$425,000 of the Downtown Revitalization Notes Payable are recorded in the General Long Term Debt Account Group because they were reissued in April 2003 and have a new maturity date of April 2004.

	Maturity Date	Balance January 1, 2002	Issued (Retired)	Balance December 31, 2002
Special Revenue Fund Notes Payable:				
(Parks and Recreation Fund)				
3.50% Land Acquisition	11/27/2002	\$450,000	(\$450,000)	\$0
Capital Projects Notes Payable:				
3.50% Rising Park Improvement	12/20/2002	200,000	(200,000)	0
3.50% Rising Park Improvement/ Land Acquisition	11/27/2003	0	600,000	600,000
2.60% Law Enforcement Building	11/16/2002	600,000	(600,000)	0
2.15% Law Enforcement Building	11/13/2003	0	500,000	500,000
3.75% Downtown Revitalization	4/26/2002	625,000	(625,000)	0
2.75% Downtown Revitalization	4/24/2003	0	525,000	525,000
Total Capital Projects Notes Payable		<u>1,425,000</u>	<u>200,000</u>	<u>1,625,000</u>
Total Notes Payable		<u><u>\$1,875,000</u></u>	<u><u>(\$250,000)</u></u>	<u><u>\$1,625,000</u></u>

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

Long-term debt and other long-term obligations of the City at December 31, 2002 were as follows:

	Balance December 31, 2001	Issued (Retired)	Balance December 31, 2002
Enterprise Funds:			
Ohio Water Development Authority Loans (OWDA):			
2001 4.14% Water Transmission Line/Waste Force Main	\$5,180,012	\$284,927 (92,932)	\$5,372,007
2001 3.90% Water Treatment Plant/Clearwells/Wellfield	4,399,984	13,526,435	17,926,419
1989 8.48% Water Pollution Control Plant	7,045,817	(360,836)	6,684,981
1990 7.74% Water Pollution Control Plant (Supplement)	146,599	(7,845)	138,754
1993 2.94% Water Pollution Control Plant (Supplement)	10,181,946	(612,122)	9,569,824
1996 3.16% Water Pollution Control Plant (Supplement)	4,137,714	(220,145)	3,917,569
1997 3.98% Landfill Postclosure Care	3,475,143	(152,663)	3,322,480
Total Ohio Water Development Authority Loans	<u>34,567,215</u>	<u>12,364,819</u>	<u>46,932,034</u>
Capital Leases	0	26,226 (2,539)	23,687
Total Enterprise Long-Term Debt	<u>\$34,567,215</u>	<u>\$12,388,506</u>	<u>\$46,955,721</u>
Internal Service Funds:			
Capital Leases	\$39,782	\$2,774 (22,264)	\$20,292
Total Internal Service Long-Term Debt	<u>\$39,782</u>	<u>(\$19,490)</u>	<u>\$20,292</u>
General Long-Term Debt:			
Special Assessment Bond Payable with Governmental Commitment	\$367,000	(\$11,000)	\$356,000
Total General Long-Term Debt	<u>367,000</u>	<u>(11,000)</u>	<u>356,000</u>
Other Long-Term Obligations:			
Housing and Urban Development Loan Payable	1,390,000	(90,000)	1,300,000
Ohio Public Works Commission Loan Payable	118,678	(3,043)	115,635
Ohio Water Development Authority Loan Payable	2,000,000	0	2,000,000
Compensated Absences	1,608,645	347,163	1,955,808
Capital Leases	1,191,127	127,540 (280,056)	1,038,611
Total Other Long-Term Obligations	<u>6,308,450</u>	<u>101,604</u>	<u>6,410,054</u>
Total General Long-Term Debt and Other Long-Term Obligations	<u>\$6,675,450</u>	<u>\$90,604</u>	<u>\$6,766,054</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. The City has purchased its own Special Assessment Bonds Payable for Downtown Revitalization. These are recorded as an investment in the General Fund.

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

In 1999 the City began a downtown revitalization project that was financed by several sources including a Housing and Development Authority Loan in the amount of \$1,570,000, an Ohio Public Works Commission Loan for \$120,721 and an Ohio Water Development Authority Loan for \$2,000,000 which is being repaid from the General Bond Retirement Fund.

A. Ohio Water Development Authority Loans

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

In 1993, the City entered into an agreement with the Ohio Water Development Authority (OWDA), as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive 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, 2002, 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 \$9,569,824 at December 31, 2002.

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, 2002, 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 \$3,917,569 at December 31, 2002.

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, 2002, 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 \$3,322,480 at December 31, 2002.

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

A. Ohio Water Development Authority Loans (Continued)

In 2001, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive two loans of \$5,591,825 and \$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, 2002, the City had received \$5,464,939 and \$17,926,419, respectively from OWDA. Subsequent amounts will be received in future years. The City began repaying the first loan in semiannual payments beginning in 2002 based on a loan amount of \$5,591,825 to be paid through 22. An estimate of future financing requirements has been made based on the loan balances of \$5,372,007 and \$17,926,419, respectively at December 31, 2002.

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, 2002 follows:

Years	OWDA Loans		HUD Loan		OPWC Loan		Special Assessment Bond Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$2,179,046	\$2,021,065	\$90,000	\$78,597	\$9,129	\$0	\$11,500	\$17,800
2004	4,275,907	1,924,204	90,000	73,647	6,086	0	12,000	17,225
2005	2,377,910	1,822,201	90,000	68,625	6,086	0	13,000	16,625
2006	2,485,380	1,714,732	90,000	63,522	6,086	0	13,500	15,975
2007	2,598,667	1,601,445	90,000	58,347	6,086	0	14,000	15,300
2008-2012	14,924,156	6,076,401	450,000	212,193	30,430	0	82,000	65,175
2013-2017	12,454,913	2,683,975	400,000	71,802	30,430	0	105,000	42,500
2018-2022	7,636,055	823,224	0	0	21,302	0	105,000	13,425
Totals	<u>\$48,932,034</u>	<u>\$18,667,247</u>	<u>\$1,300,000</u>	<u>\$626,733</u>	<u>\$115,635</u>	<u>\$0</u>	<u>\$356,000</u>	<u>\$204,025</u>

NOTE 12 - CAPITALIZED LEASES

Under capital leases the City leases five 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 \$1,804,191.

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, 2002:

<u>Year Ending December 31,</u>	<u>General Long-Term Obligation Account Group</u>	<u>Proprietary Funds</u>
2003	\$272,249	\$29,180
2004	217,136	10,953
2005	213,362	7,565
2006	210,538	723
2007	108,844	0
2008	108,844	0
2009	<u>108,844</u>	<u>0</u>
Minimum Lease Payments	1,239,817	48,421
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(201,206)</u>	<u>(4,442)</u>
Present value of minimum lease payments	<u><u>\$1,038,611</u></u>	<u><u>\$43,979</u></u>

NOTE 13 - INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2002, the City contracted with CNA for vehicles, property, EMT and general liability insurance while police and professional liability are protected by Columbia Company.

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

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

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

NOTE 13 - INSURANCE AND RISK MANAGEMENT (Continued)

On January 1, 1998 the City established an internal service fund to provide group health, dental and prescription drug benefits to employees and their eligible dependents through the South Central Insurance Consortium, a formalized risk management program. Premiums are paid into an internal service fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the Health Insurance Management Fund (internal service fund) are available to pay claims. A third party administrator, E. V. Benefits Management, Inc., which monitors all claim payments, administers the plan. 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 \$443,095 reported in the fund at December 31, 2002 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:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Liability
2001	\$568,771	\$3,706,915	(\$3,667,280)	\$608,406
2002	608,406	3,968,504	(4,133,815)	443,095

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

NOTE 14 - CONSTRUCTION COMMITMENTS

As of December 31, 2002, the City had the following commitments with respect to capital improvements:

Capital Projects	Remaining Construction Commitment	Expected Date of Completion
South Wellfield and Water Treatment Plant	\$1,817,896	2003

NOTE 15 - 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	\$2,399,890	\$2,406,878	\$84,751
Reductions:				
Depreciation on Fixed Assets	0	(184,696)	(184,696)	0
Balance at End of Year	<u>\$6,988</u>	<u>\$2,215,194</u>	<u>\$2,222,182</u>	<u>\$84,751</u>

NOTE 16 - 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, 2002 for these enterprise activities is as follows:

	Gas	Water	Water	Sanitation	Total
			Pollution		
Operating Revenues	\$17,714,243	\$6,638,113	\$6,373,850	\$3,604,504	\$34,330,710
Depreciation	399,424	832,915	1,824,337	158,220	3,214,896
Operating Income	4,791,858	1,552,535	1,271,777	903,135	8,519,305
Net Income	4,871,587	1,433,638	225,767	774,465	7,305,457
Property, Plant and Equipment:					
Additions	175,530	14,539,511	1,057,091	54,998	15,827,130
Deletions	(79,093)	(29,865)	0	(2,648)	(111,606)
Total Assets	12,827,469	40,739,843	32,129,578	3,916,420	89,613,310
Net Working Capital	6,186,550	7,182,982	6,131,811	1,513,613	21,014,956
Loans Payable	0	23,298,426	20,311,128	3,322,480	46,932,034
Total Equity/ (Accumulated Deficit)	10,865,470	15,966,864	11,186,160	(1,924,694)	36,093,800

NOTE 17 - SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

In 1976, the City stopped accepting waste at the City of Lancaster Landfill. In 1988, the Ohio Environmental Protection Agency filed a complaint against the City. The 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 \$2,179,602. 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 \$491,541 which has been placed in a restricted account. The estimated costs of postclosure care are subject to changes corresponding to the effects of inflation, revision of laws and other variables.

NOTE 18 - 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.

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

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

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

F. Community Corrections Board (the “Board”)

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

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

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

NOTE 18 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

H. FairCATS

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

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

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

NOTE 19 - 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, 2002 to December 31, 2002, the City received federal and state grants for specific purposes that are subject to reviews and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 20 - SUBSEQUENT EVENTS

On February 24, 2003, the City authorized and issued \$425,000 of bond anticipation notes for various street improvements, \$1,210,000 of bond anticipation notes for improvements to Pleasant Run and Lynwood Lane and \$3,000,000 of bond anticipation notes to extend Mill Park Drive to State Rt. 188.

*COMBINING AND INDIVIDUAL FUND AND ACCOUNT GROUP
STATEMENTS AND SCHEDULES*

*THE 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, 2002

GENERAL FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$13,417,281	\$13,824,149	\$406,868
Intergovernmental Revenues	3,317,735	2,557,221	(760,514)
Charges for Services	1,202,029	1,275,904	73,875
Licenses, Permits and Fees	16,000	12,144	(3,856)
Investment Earnings	537,110	448,765	(88,345)
Fines and Forfeitures	831,500	854,653	23,153
All Other Revenues	273,800	261,175	(12,625)
Total Revenues	19,595,455	19,234,011	(361,444)
<u>Expenditures:</u>			
Security of Persons and Property:			
Police:			
Personal Services	5,526,315	5,217,653	308,662
Operations and Maintenance	673,111	482,449	190,662
Capital Outlay	193,127	189,341	3,786
Total Police	6,392,553	5,889,443	503,110
Fire:			
Personal Services	5,434,588	5,252,692	181,896
Operations and Maintenance	391,686	352,573	39,113
Capital Outlay	220,132	218,895	1,237
Total Fire	6,046,406	5,824,160	222,246
Street Lighting:			
Operations and Maintenance	215,654	195,748	19,906
Total Street Lighting	215,654	195,748	19,906
Total Security of Persons and Property	12,654,613	11,909,351	745,262
Public Health and Welfare Services:			
Health:			
Operations and Maintenance	229,137	245,068	(15,931)
Assistance to Needy:			
Operations and Maintenance	500	0	500
Total Public Health and Welfare Services	229,637	245,068	(15,431)
Leisure Time Activities:			
Mumaugh Memorial:			
Operations and Maintenance	11,550	7,351	4,199
Capital Outlay	1,000	0	1,000
Total Leisure Time Activities	12,550	7,351	5,199

(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, 2002

GENERAL FUND

	<u>Revised Budget</u>	<u>Actual</u>	Variance: Favorable (Unfavorable)
Community Environment:			
Zoning, Planning, Tree Commissions:			
Operations and Maintenance	103,010	97,974	5,036
Total Community Environment	<u>103,010</u>	<u>97,974</u>	<u>5,036</u>
General Government:			
Council:			
Personal Services	84,775	84,768	7
Operations and Maintenance	7,280	4,854	2,426
Total Council	<u>92,055</u>	<u>89,622</u>	<u>2,433</u>
Mayor:			
Personal Services	131,021	130,964	57
Operations and Maintenance	10,037	7,673	2,364
Capital Outlay	1,000	455	545
Total Mayor	<u>142,058</u>	<u>139,092</u>	<u>2,966</u>
Personnel:			
Personal Services	104,699	102,467	2,232
Operations and Maintenance	23,062	20,134	2,928
Capital Outlay	3,492	3,126	366
Total Personnel	<u>131,253</u>	<u>125,727</u>	<u>5,526</u>
Auditor:			
Personal Services	321,760	313,787	7,973
Operations and Maintenance	39,511	32,180	7,331
Capital Outlay	1,411	411	1,000
Total Auditor	<u>362,682</u>	<u>346,378</u>	<u>16,304</u>
Treasurer:			
Personal Services	17,320	17,094	226
Operations and Maintenance	5,810	3,355	2,455
Capital Outlay	4,500	4,244	256
Total Treasurer	<u>27,630</u>	<u>24,693</u>	<u>2,937</u>
Law Director:			
Personal Services	383,065	375,570	7,495
Operations and Maintenance	113,459	86,129	27,330
Capital Outlay	10,439	10,431	8
Total Law Director	<u>506,963</u>	<u>472,130</u>	<u>34,833</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, 2002

GENERAL FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Law Director-Prosecution Contract:			
Personal Services	32,507	30,204	2,303
Operations and Maintenance	5,993	5,832	161
Capital Outlay	4,780	3,000	1,780
Total Law Director-Prosecution Contract	43,280	39,036	4,244
Law Director-Code Enforcement:			
Personal Services	20,408	20,252	156
Operations and Maintenance	1,630	842	788
Total Law Director-Code Enforcement	22,038	21,094	944
Municipal Court:			
Personal Services	536,926	507,245	29,681
Operations and Maintenance	82,292	78,801	3,491
Total Municipal Court	619,218	586,046	33,172
Judicial:			
Personal Services	469,457	454,821	14,636
Operations and Maintenance	67,948	33,299	34,649
Capital Outlay	1,000	508	492
Total Judicial	538,405	488,628	49,777
Civil Service:			
Personal Services	6,579	3,492	3,087
Operations and Maintenance	32,563	20,792	11,771
Total Civil Service	39,142	24,284	14,858
City Hall Maintenance:			
Personal Services	119,468	114,173	5,295
Operations and Maintenance	71,875	66,030	5,845
Capital Outlay	3,193	2,752	441
Total City Hall Maintenance	194,536	182,955	11,581
City Hall Maintenance-Annex:			
Operations and Maintenance	21,633	14,267	7,366
Capital Outlay	21,247	21,246	1
Total City Hall Maintenance-Annex	42,880	35,513	7,367
Service Safety Director:			
Personal Services	130,852	128,592	2,260
Operations and Maintenance	11,281	10,280	1,001
Total Service Safety Director	142,133	138,872	3,261

(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, 2002

GENERAL FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Engineer:			
Personal Services	708,300	697,680	10,620
Operations and Maintenance	82,751	59,256	23,495
Capital Outlay	32,825	32,486	339
Total Engineer	<u>823,876</u>	<u>789,422</u>	<u>34,454</u>
Administration Support:			
Personal Services	51,705	39,922	11,783
Operations and Maintenance	352,478	317,902	34,576
Total Administration Support	<u>404,183</u>	<u>357,824</u>	<u>46,359</u>
Miscellaneous:			
Personal Services	103,200	103,027	173
Operations and Maintenance	977,490	902,049	75,441
Capital Outlay	11,178	10,000	1,178
Total Miscellaneous	<u>1,091,868</u>	<u>1,015,076</u>	<u>76,792</u>
Income Tax:			
Personal Services	320,835	319,300	1,535
Operations and Maintenance	423,627	410,448	13,179
Capital Outlay	10,324	9,449	875
Total Income Tax	<u>754,786</u>	<u>739,197</u>	<u>15,589</u>
Total General Government	<u>5,978,986</u>	<u>5,615,589</u>	<u>363,397</u>
Total Expenditures	<u>18,978,796</u>	<u>17,875,333</u>	<u>1,103,463</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	616,659	1,358,678	742,019
Other Financing Sources (Uses):			
Operating Transfers In	533,200	533,200	0
Operating Transfers Out	<u>(2,095,003)</u>	<u>(2,068,445)</u>	<u>26,558</u>
Total Other Financing Sources (Uses)	<u>(1,561,803)</u>	<u>(1,535,245)</u>	<u>26,558</u>
Excess (Deficiency) of Revenue: and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(945,144)	(176,567)	768,577
Fund Balance at Beginning of Year	2,404,628	2,404,628	0
Prior Year Encumbrances	<u>582,334</u>	<u>582,334</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$2,041,818</u></u>	<u><u>\$2,810,395</u></u>	<u><u>\$768,577</u></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, 2002

	Cemetery	Street Construction, Maintenance and Repair	Parks and Recreation	Lancaster Public Transit Program
<u>Assets:</u>				
Cash and Cash Equivalents	\$70,548	\$733,645	\$294,770	\$3,544
Receivables (net of allowances for doubtful accounts)				
Taxes	13,239	0	198,581	0
Accounts	56,881	0	6,582	1,953
Interest	0	0	0	0
Loans	0	0	0	0
Due from Other Funds	0	0	0	0
Intergovernmental Receivables	0	631,484	0	73,234
Inventory of Supplies at Cost	1,089	145,559	6,212	0
Prepaid Items	1,131	5,437	3,288	0
<u>Restricted Assets:</u>				
Cash and Cash Equivalents	0	0	0	0
Total Assets	<u>\$142,888</u>	<u>\$1,516,125</u>	<u>\$509,433</u>	<u>\$78,731</u>
<u>Liabilities and Fund Equity:</u>				
<u>Liabilities:</u>				
Accounts Payable	\$1,865	\$19,110	\$22,805	\$37,350
Accrued Wages and Benefits	31,844	103,788	58,039	0
Intergovernmental Payables	0	240	0	0
Deferred Revenue	4,526	421,000	67,891	73,234
Total Liabilities	<u>38,235</u>	<u>544,138</u>	<u>148,735</u>	<u>110,584</u>
<u>Fund Equity:</u>				
Reserved for Encumbrances	9,631	222,097	1,061	0
Reserved for Supplies Inventory	1,089	145,559	6,212	0
Reserved for Prepaid Items	1,131	5,437	3,288	0
Reserved for Loans Receivable	0	0	0	0
Unreserved	92,802	598,894	350,137	(31,853)
Total Fund Equity	<u>104,653</u>	<u>971,987</u>	<u>360,698</u>	<u>(31,853)</u>
Total Liabilities and Fund Equity	<u>\$142,888</u>	<u>\$1,516,125</u>	<u>\$509,433</u>	<u>\$78,731</u>

THE CITY OF LANCASTER, OHIO
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
DECEMBER 31, 2002

Family Violence Grant	Law Director Victim Assistance	Lancaster Community Development	Law Enforcement Block Grant	Police and Fire Pension
\$21,257	\$19,168	\$47,185	\$41,944	\$0
0	0	0	0	398,378
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	14,905	0	0	23,000
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
<u>\$21,257</u>	<u>\$34,073</u>	<u>\$47,185</u>	<u>\$41,944</u>	<u>\$421,378</u>
\$321	\$0	\$114	\$0	\$0
4,199	2,554	11,538	0	0
0	0	0	0	0
0	3,726	0	0	421,378
<u>4,520</u>	<u>6,280</u>	<u>11,652</u>	<u>0</u>	<u>421,378</u>
78	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
16,659	27,793	35,533	41,944	0
<u>16,737</u>	<u>27,793</u>	<u>35,533</u>	<u>41,944</u>	<u>0</u>
<u>\$21,257</u>	<u>\$34,073</u>	<u>\$47,185</u>	<u>\$41,944</u>	<u>\$421,378</u>

(Continued)

THE CITY OF LANCASTER, OHIO
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
DECEMBER 31, 2002

	City Health District	Fairfield County Court Surveillance	Indigent Drivers Alcohol Treatment	Law Enforcement and Education
<u>Assets:</u>				
Cash and Cash Equivalents	\$1,664	\$21,333	\$203,258	\$51,482
Receivables (net of allowances for doubtful accounts)				
Taxes	0	0	0	0
Accounts	0	0	0	0
Interest	0	0	0	0
Loans	0	0	0	0
Due from Other Funds	0	0	1,351	335
Intergovernmental Receivables	0	32,623	0	0
Inventory of Supplies at Cost	0	0	0	0
Prepaid Items	0	0	0	0
Restricted Assets:				
Cash and Cash Equivalents	0	0	0	0
Total Assets	\$1,664	\$53,956	\$204,609	\$51,817
<u>Liabilities and Fund Equity:</u>				
Liabilities:				
Accounts Payable	\$0	\$98	\$0	\$0
Accrued Wages and Benefits	0	5,318	0	0
Intergovernmental Payables	0	0	0	0
Deferred Revenue	0	15,453	0	0
Total Liabilities	0	20,869	0	0
Fund Equity:				
Reserved for Encumbrances	0	0	0	0
Reserved for Supplies Inventory	0	0	0	0
Reserved for Prepaid Items	0	0	0	0
Reserved for Loans Receivable	0	0	0	0
Unreserved	1,664	33,087	204,609	51,817
Total Fund Equity	1,664	33,087	204,609	51,817
Total Liabilities and Fund Equity	\$1,664	\$53,956	\$204,609	\$51,817

THE CITY OF LANCASTER, OHIO
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS
DECEMBER 31, 2002

Municipal Court Computerization	Municipal Court Special Projects	Drug Enforcement	Community Development Block Grant	State Highway	Totals
\$127,091	\$152,834	\$81,060	\$123,517	\$169,859	\$2,164,159
0	0	0	0	0	610,198
0	0	0	0	0	65,416
0	0	0	0	771	771
0	0	0	1,200,164	0	1,200,164
10,248	8,447	0	0	0	20,381
0	0	0	571,162	27,203	1,373,611
0	0	0	0	0	152,860
0	0	0	0	0	9,856
0	0	0	6,656	0	6,656
<u>\$137,339</u>	<u>\$161,281</u>	<u>\$81,060</u>	<u>\$1,901,499</u>	<u>\$197,833</u>	<u>\$5,604,072</u>
\$11,184	\$250	\$0	\$0	\$0	\$93,097
0	0	0	0	0	217,280
0	6,960	0	0	0	7,200
0	0	0	332,271	18,000	1,357,479
<u>11,184</u>	<u>7,210</u>	<u>0</u>	<u>332,271</u>	<u>18,000</u>	<u>1,675,056</u>
24,193	338	0	1,217	0	258,615
0	0	0	0	0	152,860
0	0	0	0	0	9,856
0	0	0	1,200,164	0	1,200,164
101,962	153,733	81,060	367,847	179,833	2,307,521
<u>126,155</u>	<u>154,071</u>	<u>81,060</u>	<u>1,569,228</u>	<u>179,833</u>	<u>3,929,016</u>
<u>\$137,339</u>	<u>\$161,281</u>	<u>\$81,060</u>	<u>\$1,901,499</u>	<u>\$197,833</u>	<u>\$5,604,072</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, 2002

	Cemetery	Street Construction, Maintenance and Repair	Parks and Recreation	Lancaster Public Transit Program
Revenues:				
Taxes	\$73,261	\$0	\$1,098,917	\$0
Intergovernmental Revenues	0	1,440,672	20,000	323,417
Charges for Services	179,035	0	287,891	132,495
Licenses, Permits and Fees	0	0	209	0
Investment Earnings	0	0	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenues	0	6,486	22,717	561
Total Revenues	<u>252,296</u>	<u>1,447,158</u>	<u>1,429,734</u>	<u>456,473</u>
Expenditures:				
Current:				
Security of Persons and Property	0	0	0	0
Public Health and Welfare Services	572,308	0	0	0
Leisure Time Activities	0	0	1,466,685	0
Community Environment	0	0	0	0
Transportation	0	2,475,423	0	586,512
General Government	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	14,283	0
Total Expenditures	<u>572,308</u>	<u>2,475,423</u>	<u>1,480,968</u>	<u>586,512</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(320,012)	(1,028,265)	(51,234)	(130,039)
Other Financing Sources (Uses):				
Operating Transfers In	266,952	1,177,378	465,750	50,000
Operating Transfers Out	0	(100,000)	0	0
Total Other Financing Sources (Uses)	<u>266,952</u>	<u>1,077,378</u>	<u>465,750</u>	<u>50,000</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(53,060)	49,113	414,516	(80,039)
Fund Balance (Deficit) at Beginning of Year	158,985	906,608	(55,779)	48,186
Increase (Decrease) in Inventory Reserve	(1,272)	16,266	1,961	0
Fund Balance (Deficit) at End of Year	<u><u>\$104,653</u></u>	<u><u>\$971,987</u></u>	<u><u>\$360,698</u></u>	<u><u>(\$31,853)</u></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, 2002

Family Violence Grant	Law Director Victim Assistance	Lancaster Community Development	Law Enforcement Block Grant	Police and Fire Pension
\$0	\$0	\$0	\$0	\$299,638
38,608	44,716	154,147	29,969	41,753
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
38,608	44,716	154,147	29,969	341,391
50,808	41,385	0	51,163	341,391
0	0	0	0	0
0	0	0	0	0
0	0	144,887	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
50,808	41,385	144,887	51,163	341,391
(12,200)	3,331	9,260	(21,194)	0
15,560	11,182	0	3,330	0
0	0	0	0	0
15,560	11,182	0	3,330	0
3,360	14,513	9,260	(17,864)	0
13,377	13,280	27,482	59,808	0
0	0	(1,209)	0	0
<u>\$16,737</u>	<u>\$27,793</u>	<u>\$35,533</u>	<u>\$41,944</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, 2002

	City Health District	Fairfield County Court Surveillance	Indigent Drivers Alcohol Treatment	Law Enforcement and Education
Revenues:				
Taxes	\$0	\$0	\$0	\$0
Intergovernmental Revenues	0	68,679	0	0
Charges for Services	257,034	0	0	0
Licenses, Permits and Fees	0	0	0	0
Investment Earnings	0	0	0	0
Fines and Forfeitures	0	0	36,517	3,703
All Other Revenues	865	0	0	0
Total Revenues	257,899	68,679	36,517	3,703
Expenditures:				
Current:				
Security of Persons and Property	0	67,925	75,000	0
Public Health and Welfare Services	323,040	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	323,040	67,925	75,000	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(65,141)	754	(38,483)	3,703
Other Financing Sources (Uses):				
Operating Transfers In	20,863	0	0	0
Operating Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	20,863	0	0	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(44,278)	754	(38,483)	3,703
Fund Balance (Deficit) at Beginning of Year	69,675	32,333	243,092	48,114
Increase (Decrease) in Inventory Reserve	(23,733)	0	0	0
Fund Balance (Deficit) at End of Year	\$1,664	\$33,087	\$204,609	\$51,817

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

Municipal Court Computerization	Municipal Court Special Projects	Drug Enforcement	Community Development Block Grant	State Highway	Totals
\$0	\$0	\$0	\$0	\$0	\$1,471,816
0	0	0	1,306,552	56,015	3,524,528
0	0	0	0	0	856,455
0	0	0	0	0	209
0	0	1,072	3,775	10,038	14,885
140,592	113,619	51,327	0	0	345,758
0	0	0	22,236	0	52,865
140,592	113,619	52,399	1,332,563	66,053	6,266,516
0	0	6,119	0	0	633,791
0	0	0	0	0	895,348
0	0	0	0	0	1,466,685
0	0	0	728,428	0	873,315
0	0	0	0	0	3,061,935
122,672	160,119	0	0	0	282,791
0	0	0	90,000	0	90,000
0	0	0	83,457	0	97,740
122,672	160,119	6,119	901,885	0	7,401,605
17,920	(46,500)	46,280	430,678	66,053	(1,135,089)
0	0	0	0	0	2,011,015
0	0	0	0	(81,400)	(181,400)
0	0	0	0	(81,400)	1,829,615
17,920	(46,500)	46,280	430,678	(15,347)	694,526
108,235	200,571	34,780	1,138,550	195,180	3,242,477
0	0	0	0	0	(7,987)
<u>\$126,155</u>	<u>\$154,071</u>	<u>\$81,060</u>	<u>\$1,569,228</u>	<u>\$179,833</u>	<u>\$3,929,016</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, 2002

CEMETERY FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$69,029	\$80,560	\$11,531
Charges for Services	180,000	185,393	5,393
All Other Revenues	1,000	0	(1,000)
Total Revenues	250,029	265,953	15,924
<u>Expenditures:</u>			
Public Health and Welfare Services:			
Personal Services	490,248	481,832	8,416
Operations and Maintenance	82,897	77,904	4,993
Capital Outlay	67,635	63,884	3,751
Total Expenditures	640,780	623,620	17,160
Excess (Deficiency) of Revenues Over (Under) Expenditures	(390,751)	(357,667)	33,084
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	306,952	308,545	1,593
Total Other Financing Sources (Uses)	306,952	308,545	1,593
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(83,799)	(49,122)	34,677
Fund Balance at Beginning of Year	104,160	104,160	0
Prior Year Encumbrances	4,812	4,812	0
Fund Balance at End of Year	\$25,173	\$59,850	\$34,677

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, 2002

STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$1,466,029	\$1,440,028	(\$26,001)
All Other Revenues	6,542	6,601	59
Total Revenues	1,472,571	1,446,629	(25,942)
<u>Expenditures:</u>			
Transportation:			
Personal Services	1,635,500	1,497,021	138,479
Operations and Maintenance	1,128,847	1,052,685	76,162
Capital Outlay	158,904	151,381	7,523
Total Expenditures	2,923,251	2,701,087	222,164
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,450,680)	(1,254,458)	196,222
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	1,177,429	1,177,378	(51)
Operating Transfers Out	(100,000)	(100,000)	0
Total Other Financing Sources (Uses)	1,077,429	1,077,378	(51)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(373,251)	(177,080)	196,171
Fund Balance at Beginning of Year	619,705	619,705	0
Prior Year Encumbrances	57,405	57,405	0
Fund Balance at End of Year	\$303,859	\$500,030	\$196,171

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, 2002

PARKS AND RECREATION FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$1,150,082	\$1,208,410	\$58,328
Intergovernmental Revenue	24,000	20,000	(4,000)
Charges for Services	288,882	288,146	(736)
Licenses and Permits	200	209	9
All Other Revenues	18,000	22,726	4,726
Total Revenues	1,481,164	1,539,491	58,327
<u>Expenditures:</u>			
Leisure Time Activities:			
Personal Services	977,567	963,567	14,000
Operations and Maintenance	521,673	472,823	48,850
Capital Outlay	26,750	24,378	2,372
Total Expenditures	1,525,990	1,460,768	65,222
Excess (Deficiency) of Revenues Over (Under) Expenditures	(44,826)	78,723	123,549
Fund Balance at Beginning of Year	200,933	200,933	0
Prior Year Encumbrances	6,561	6,561	0
Fund Balance at End of Year	\$162,668	\$286,217	\$123,549

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, 2002

LANCASTER PUBLIC TRANSIT PROGRAM FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$400,000	\$333,789	(\$66,211)
Charges for Services	115,000	130,542	15,542
All Other Revenues	0	561	561
Total Revenues	515,000	464,892	(50,108)
<u>Expenditures:</u>			
Transportation:			
Operations and Maintenance	555,005	554,084	921
Capital Outlay	13,060	12,500	560
Total Expenditures	568,065	566,584	1,481
Excess (Deficiency) of Revenues Over (Under) Expenditures	(53,065)	(101,692)	(48,627)
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	0	50,000	50,000
Total Other Financing Sources (Uses)	0	50,000	50,000
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(53,065)	(51,692)	1,373
Fund Balance at Beginning of Year	54,556	54,556	0
Prior Year Encumbrances	680	680	0
Fund Balance at End of Year	\$2,171	\$3,544	\$1,373

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, 2002

FAMILY VIOLENCE GRANT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$38,608	\$38,608	\$0
Total Revenues	38,608	38,608	0
<u>Expenditures:</u>			
Security of Persons and Property:			
Personal Services	48,009	48,007	2
Operations and Maintenance	2,000	1,965	35
Total Expenditures	50,009	49,972	37
Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,401)	(11,364)	37
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	15,560	15,560	0
Total Other Financing Sources (Uses)	15,560	15,560	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	4,159	4,196	37
Fund Balance at Beginning of Year	16,662	16,662	0
Fund Balance at End of Year	\$20,821	\$20,858	\$37

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, 2002

LAW DIRECTOR VICTIM ASSISTANCE FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$33,437	\$33,537	\$100
Total Revenues	33,437	33,537	100
<u>Expenditures:</u>			
Security of Persons and Property:			
Personal Services	41,223	41,141	82
Total Expenditures	41,223	41,141	82
Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,786)	(7,604)	182
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	11,182	11,182	0
Total Other Financing Sources (Uses)	11,182	11,182	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,396	3,578	182
Fund Balance at Beginning of Year	15,590	15,590	0
Fund Balance at End of Year	\$18,986	\$19,168	\$182

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, 2002

LANCASTER COMMUNITY DEVELOPMENT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$154,147	\$154,147	\$0
Total Revenues	154,147	154,147	0
<u>Expenditures:</u>			
Community Environment:			
Personal Services	142,644	142,607	37
Operations and Maintenance	1,674	1,673	1
Total Expenditures	144,318	144,280	38
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,829	9,867	38
Fund Balance at Beginning of Year	37,318	37,318	0
Fund Balance at End of Year	\$47,147	\$47,185	\$38

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, 2002

LAW ENFORCEMENT BLOCK GRANT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$29,969	\$29,969	\$0
Total Revenues	29,969	29,969	0
<u>Expenditures:</u>			
Security of Persons and Property:			
Operations and Maintenance	56,973	55,963	1,010
Total Expenditures	56,973	55,963	1,010
Excess (Deficiency) of			
Revenues Over (Under) Expenditures	(27,004)	(25,994)	1,010
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	3,330	3,330	0
Total Other Financing Sources (Uses)	3,330	3,330	0
Excess (Deficiency) of Revenues			
and Other Financing Sources Over (Under)			
Expenditures and Other Financing Uses	(23,674)	(22,664)	1,010
Fund Balance at Beginning of Year	25,487	25,487	0
Prior Year Encumbrances	39,121	39,121	0
Fund Balance at End of Year	\$40,934	\$41,944	\$1,010

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, 2002

POLICE AND FIRE PENSION FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$299,638	\$299,638	\$0
Intergovernmental Revenues	41,753	41,753	0
Total Revenues	<u>341,391</u>	<u>341,391</u>	<u>0</u>
<u>Expenditures:</u>			
Security of Persons and Property:			
Personal Services	341,391	341,391	0
Total Expenditures	<u>341,391</u>	<u>341,391</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, 2002

CITY HEALTH DISTRICT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Charges for Services	\$330,166	\$331,831	\$1,665
All Other Revenues	0	865	865
Total Revenues	<u>330,166</u>	<u>332,696</u>	<u>2,530</u>
<u>Expenditures:</u>			
Public Health and Welfare Services:			
Personal Services	47,340	47,340	0
Operations and Maintenance	<u>326,500</u>	<u>326,500</u>	<u>0</u>
Total Expenditures	<u>373,840</u>	<u>373,840</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(43,674)	(41,144)	2,530
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	<u>21,729</u>	<u>20,863</u>	<u>(866)</u>
Total Other Financing Sources (Uses)	<u>21,729</u>	<u>20,863</u>	<u>(866)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(21,945)	(20,281)	1,664
Fund Balance at Beginning of Year	<u>21,945</u>	<u>21,945</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$0</u></u>	<u><u>\$1,664</u></u>	<u><u>\$1,664</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, 2002

FAIRFIELD COUNTY COURT SURVEILLANCE FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$71,000	\$68,679	(\$2,321)
Total Revenues	71,000	68,679	(2,321)
<u>Expenditures:</u>			
Security of Persons and Property:			
Personal Services	63,821	63,557	264
Operations and Maintenance	4,147	3,822	325
Total Expenditures	67,968	67,379	589
Excess (Deficiency) of			
Revenues Over (Under) Expenditures	3,032	1,300	(1,732)
Fund Balance at Beginning of Year	20,033	20,033	0
Fund Balance at End of Year	\$23,065	\$21,333	(\$1,732)

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, 2002

INDIGENT DRIVERS ALCOHOL TREATMENT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Fines and Forfeitures	\$37,000	\$35,951	(\$1,049)
Total Revenues	37,000	35,951	(1,049)
<u>Expenditures:</u>			
Security of Persons and Property:			
Operations and Maintenance	75,000	75,000	0
Total Expenditures	75,000	75,000	0
Excess (Deficiency) of			
Revenues Over (Under) Expenditures	(38,000)	(39,049)	(1,049)
Fund Balance at Beginning of Year	242,307	242,307	0
Fund Balance at End of Year	\$204,307	\$203,258	(\$1,049)

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, 2002

LAW ENFORCEMENT AND EDUCATION FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Fines and Forfeitures	\$5,000	\$3,708	(\$1,292)
Total Revenues	5,000	3,708	(1,292)
<u>Expenditures:</u>			
Total Expenditures	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,000	3,708	(1,292)
Fund Balance at Beginning of Year	47,774	47,774	0
Fund Balance at End of Year	\$52,774	\$51,482	(\$1,292)

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, 2002

MUNICIPAL COURT COMPUTERIZATION FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Fines and Forfeitures	\$110,000	\$139,039	\$29,039
Total Revenues	110,000	139,039	29,039
<u>Expenditures:</u>			
General Government:			
Operations and Maintenance	161,567	161,560	7
Total Expenditures	161,567	161,560	7
Excess (Deficiency) of			
Revenues Over (Under) Expenditures	(51,567)	(22,521)	29,046
Fund Balance at Beginning of Year	89,474	89,474	0
Prior Year Encumbrances	27,832	27,832	0
Fund Balance at End of Year	\$65,739	\$94,785	\$29,046

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, 2002

MUNICIPAL COURT SPECIAL PROJECTS FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Fines and Forfeitures	\$113,000	\$112,312	(\$688)
Total Revenues	113,000	112,312	(688)
<u>Expenditures:</u>			
General Government:			
Capital Outlay	159,983	154,182	5,801
Total Expenditures	159,983	154,182	5,801
Excess (Deficiency) of			
Revenues Over (Under) Expenditures	(46,983)	(41,870)	5,113
Fund Balance at Beginning of Year	187,046	187,046	0
Prior Year Encumbrances	7,070	7,070	0
Fund Balance at End of Year	\$147,133	\$152,246	\$5,113

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, 2002

DRUG ENFORCEMENT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Investment Earnings	\$0	\$1,072	\$1,072
Fines and Forfeitures	0	51,327	51,327
Total Revenues	0	52,399	52,399
<u>Expenditures:</u>			
Security of Persons and Property:			
Operations and Maintenance	0	6,119	(6,119)
Total Expenditures	0	6,119	(6,119)
Excess (Deficiency) of Revenues Over Expenditures	0	46,280	46,280
Fund Balance at Beginning of Year	34,780	34,780	0
Fund Balance at End of Year	\$34,780	\$81,060	\$46,280

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, 2002

COMMUNITY DEVELOPMENT BLOCK GRANT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$1,105,144	\$1,112,661	\$7,517
Investment Earnings	2,291	2,291	0
All Other Revenues	32,664	33,396	732
Total Revenues	1,140,099	1,148,348	8,249
<u>Expenditures:</u>			
Community Environment:			
Operations and Maintenance	2,064	2,064	0
Capital Outlay	1,014,307	949,472	64,835
Total Community Environment	1,016,371	951,536	64,835
Debt Service:			
Principal Retirement	90,000	90,000	0
Interest and Fiscal Charges	83,457	83,457	0
Total Debt Service	173,457	173,457	0
Total Expenditures	1,189,828	1,124,993	64,835
Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,729)	23,355	73,084
Fund Balance at Beginning of Year	98,945	98,945	0
Fund Balance at End of Year	\$49,216	\$122,300	\$73,084

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, 2002

STATE HIGHWAY FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Intergovernmental Revenues	\$60,000	\$55,946	(\$4,054)
Investment Earnings	20,000	10,171	(9,829)
Total Revenues	<u>80,000</u>	<u>66,117</u>	<u>(13,883)</u>
<u>Expenditures:</u>			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	80,000	66,117	(13,883)
<u>Other Financing Sources (Uses):</u>			
Operating Transfers Out	<u>(81,400)</u>	<u>(81,400)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(81,400)</u>	<u>(81,400)</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,400)	(15,283)	(13,883)
Fund Balance at Beginning of Year	<u>185,142</u>	<u>185,142</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$183,742</u></u>	<u><u>\$169,859</u></u>	<u><u>(\$13,883)</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, 2002

	<u>General Bond Retirement</u>	<u>Special Assessment Debt Retirement</u>	<u>Totals</u>
<u>Assets:</u>			
Cash and Cash Equivalents	\$12,532	\$0	\$12,532
Receivables (net of allowances for doubtful accounts)			
Special Assessments	<u>0</u>	<u>725,525</u>	<u>725,525</u>
Total Assets	<u>\$12,532</u>	<u>\$725,525</u>	<u>\$738,057</u>
<u>Liabilities and Fund Equity:</u>			
Liabilities:			
Deferred Revenue	<u>\$0</u>	<u>\$725,525</u>	<u>\$725,525</u>
Total Liabilities	<u>0</u>	<u>725,525</u>	<u>725,525</u>
Fund Equity:			
Reserved for Debt Service	<u>12,532</u>	<u>0</u>	<u>12,532</u>
Total Fund Equity	<u>12,532</u>	<u>0</u>	<u>12,532</u>
Total Liabilities and Fund Equity	<u>\$12,532</u>	<u>\$725,525</u>	<u>\$738,057</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, 2002

	General Bond Retirement	Special Assessment Debt Retirement	Totals
<u>Revenues:</u>			
Special Assessments	\$0	\$37,480	\$37,480
Total Revenues	0	37,480	37,480
<u>Expenditures:</u>			
Debt Service:			
Principal Retirement	3,043	11,000	14,043
Interest and Fiscal Charges	60,000	29,360	89,360
Total Expenditures	63,043	40,360	103,403
Excess (Deficiency) of Revenues Over (Under) Expenditures	(63,043)	(2,880)	(65,923)
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	67,000	2,880	69,880
Total Other Financing Sources (Uses)	67,000	2,880	69,880
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	3,957	0	3,957
Fund Balance at Beginning of Year	8,575	0	8,575
Fund Balance at End of Year	<u>\$12,532</u>	<u>\$0</u>	<u>\$12,532</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, 2002

GENERAL BOND RETIREMENT FUND

	Revised Budget	Actual	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	30,000	60,000	(30,000)
Total Expenditures	33,043	63,043	(30,000)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(33,043)	(63,043)	(30,000)
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In	67,000	67,000	0
Total Other Financing Sources (Uses)	67,000	67,000	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	33,957	3,957	(30,000)
Fund Balance at Beginning of Year	8,575	8,575	0
Fund Balance at End of Year	\$42,532	\$12,532	(\$30,000)

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, 2002

SPECIAL ASSESSMENT DEBT RETIREMENT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues</u>			
Special Assessments	\$37,480	\$37,480	\$0
Total Revenues	37,480	37,480	0
<u>Expenditures</u>			
Debt Service:			
Principal Retirement	11,000	11,000	0
Interest and Fiscal Charges	29,360	29,360	0
Total Expenditures	40,360	40,360	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,880)	(2,880)	0
<u>Other Financing Sources (Uses)</u>			
Operating Transfers In	2,880	2,880	0
Total Other Financing Sources (Uses)	2,880	2,880	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

CAPITAL PROJECTS FUNDS

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

Capital Improvement Fund

To account for financial resources used for the major capital construction and/or improvement projects undertaken by the City.

Fire Capital Improvement Fund

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

THE CITY OF LANCASTER, OHIO
COMBINING BALANCE SHEET
CAPITAL PROJECT FUNDS
DECEMBER 31, 2002

	<u>Capital Improvement</u>	<u>Fire Capital Improvement</u>	<u>Totals</u>
<u>Assets:</u>			
Cash and Cash Equivalents	\$1,416,279	\$100,000	\$1,516,279
Receivables (net of allowances for doubtful accounts)			
Taxes	39,716	0	39,716
Restricted Assets:			
Cash and Cash Equivalents	<u>31,469</u>	<u>0</u>	<u>31,469</u>
Total Assets	<u><u>\$1,487,464</u></u>	<u><u>\$100,000</u></u>	<u><u>\$1,587,464</u></u>
<u>Liabilities and Fund Equity:</u>			
Liabilities:			
Accounts Payable	\$52,286	\$0	\$52,286
Retainage Payable	31,469	0	31,469
Accrued Interest Payable	13,189	0	13,189
Deferred Revenue	13,578	0	13,578
General Obligation Notes Payable	<u>1,200,000</u>	<u>0</u>	<u>1,200,000</u>
Total Liabilities	<u>1,310,522</u>	<u>0</u>	<u>1,310,522</u>
Fund Equity:			
Reserved for Encumbrances	865,414	0	865,414
Unreserved	<u>(688,472)</u>	<u>100,000</u>	<u>(588,472)</u>
Total Fund Equity	<u>176,942</u>	<u>100,000</u>	<u>276,942</u>
Total Liabilities and Fund Equity	<u><u>\$1,487,464</u></u>	<u><u>\$100,000</u></u>	<u><u>\$1,587,464</u></u>

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	<u>Capital Improvement</u>	<u>Fire Capital Improvement</u>	<u>Totals</u>
<u>Revenues:</u>			
Taxes	\$219,783	\$0	\$219,783
Intergovernmental Revenues	299,848	0	299,848
All Other Revenues	<u>29,583</u>	<u>0</u>	<u>29,583</u>
Total Revenues	<u>549,214</u>	<u>0</u>	<u>549,214</u>
<u>Expenditures:</u>			
Capital Outlay	1,088,656	0	1,088,656
Debt Service:			
Interest and Fiscal Charges	<u>48,084</u>	<u>0</u>	<u>48,084</u>
Total Expenditures	<u>1,136,740</u>	<u>0</u>	<u>1,136,740</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(587,526)	0	(587,526)
<u>Other Financing Sources (Uses):</u>			
Proceeds from General Obligation Notes	425,000	0	425,000
Operating Transfers In	494,000	100,000	594,000
Operating Transfers Out	<u>(465,750)</u>	<u>0</u>	<u>(465,750)</u>
Total Other Financing Sources (Uses)	<u>453,250</u>	<u>100,000</u>	<u>553,250</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(134,276)	100,000	(34,276)
Fund Balance at Beginning of Year	<u>311,218</u>	<u>0</u>	<u>311,218</u>
Fund Balance at End of Year	<u><u>\$176,942</u></u>	<u><u>\$100,000</u></u>	<u><u>\$276,942</u></u>

THE CITY OF LANCASTER OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

CAPITAL IMPROVEMENT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Taxes	\$230,016	\$241,682	\$11,666
Intergovernmental Revenues	223,611	299,848	76,237
Investment Earnings	31	456	425
All Other Revenues	170,441	61,173	(109,268)
Total Revenues	624,099	603,159	(20,940)
<u>Expenditures:</u>			
Capital Outlay	2,382,093	2,146,121	235,972
Debt Service:			
Principal Retirement	1,875,000	1,875,000	0
Interest and Fiscal Charges	73,679	67,289	6,390
Total Expenditures	4,330,772	4,088,410	242,362
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,706,673)	(3,485,251)	221,422
<u>Other Financing Sources (Uses):</u>			
Proceeds of General Obligation Notes	1,625,000	1,625,000	0
Operating Transfers In	794,000	494,000	(300,000)
Total Other Financing Sources (Uses)	2,419,000	2,119,000	(300,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,287,673)	(1,366,251)	(78,578)
Fund Balance at Beginning of Year	1,262,545	1,262,545	0
Prior Year Encumbrances	637,845	637,845	0
Fund Balance at End of Year	\$612,717	\$534,139	(\$78,578)

THE CITY OF LANCASTER OHIO
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

FIRE CAPITAL IMPROVEMENT FUND

	Revised Budget	Actual	Variance: Favorable (Unfavorable)
<u>Revenues:</u>			
Total Revenues	\$0	\$0	\$0
<u>Expenditures:</u>			
Total Expenditures	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	100,000	100,000	0
Total Other Financing Sources (Uses)	100,000	100,000	0
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	100,000	100,000	0
Fund Balance at Beginning of Year	0	0	0
Fund Balance at End of Year	<u>\$100,000</u>	<u>\$100,000</u>	<u>\$0</u>



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, 2002

	Gas	Water	Water Pollution	Sanitation	Totals
Assets:					
Cash and Cash Equivalents	\$3,270,240	\$6,050,209	\$5,674,478	\$1,036,424	\$16,031,351
Receivables (net of allowances for doubtful accounts):					
Accounts	3,833,220	902,948	811,790	701,469	6,249,427
Inventory of Supplies at Cost	650,854	644,941	24,400	29,352	1,349,547
Prepaid Items	12,433	7,220	6,564	2,766	28,983
Restricted Assets:					
Cash and Cash Equivalents	153,828	708,210	28,450	176,939	1,067,427
Investments	0	0	0	314,602	314,602
Property, Plant and Equipment	10,874,129	42,639,879	49,960,011	2,850,683	106,324,702
Less: Accumulated Depreciation	(5,967,235)	(10,213,564)	(24,376,115)	(1,195,815)	(41,752,729)
Net Fixed Assets	4,906,894	32,426,315	25,583,896	1,654,868	64,571,973
Total Assets	<u>\$12,827,469</u>	<u>\$40,739,843</u>	<u>\$32,129,578</u>	<u>\$3,916,420</u>	<u>\$89,613,310</u>
Liabilities and Fund Equity:					
Liabilities:					
Accounts Payable	\$1,474,744	\$250,749	\$283,590	\$110,757	\$2,119,840
Accrued Wages and Benefits	104,453	171,587	91,481	91,067	458,588
Due to Other Funds	0	0	0	53,824	53,824
Intergovernmental Payable	1,000	0	10,350	750	12,100
Due to Others - Refundable Deposits	153,828	28,450	28,450	0	210,728
Retainage Payable	0	679,760	0	0	679,760
Compensated Absences Payable	227,974	320,320	218,419	82,634	849,347
Landfill Postclosure Care Liability	0	0	0	2,179,602	2,179,602
Capital Lease Payable	0	23,687	0	0	23,687
Ohio Water Development Authority Loans Payable	0	23,298,426	20,311,128	3,322,480	46,932,034
Total Liabilities	<u>1,961,999</u>	<u>24,772,979</u>	<u>20,943,418</u>	<u>5,841,114</u>	<u>53,519,510</u>
Fund Equity:					
Contributed Capital	0	6,988	2,215,194	0	2,222,182
Retained Earnings/Accumulated Deficit:					
Unreserved	10,865,470	15,959,876	8,970,966	(1,924,694)	33,871,618
Total Fund Equity	<u>10,865,470</u>	<u>15,966,864</u>	<u>11,186,160</u>	<u>(1,924,694)</u>	<u>36,093,800</u>
Total Liabilities and Fund Equity	<u>\$12,827,469</u>	<u>\$40,739,843</u>	<u>\$32,129,578</u>	<u>\$3,916,420</u>	<u>\$89,613,310</u>

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Gas	Water	Water Pollution	Sanitation	Totals
<u>Operating Revenues:</u>					
Charges for Services	\$16,849,965	\$6,638,113	\$6,373,850	\$3,599,614	\$33,461,542
Other Operating Revenues	864,278	0	0	4,890	869,168
Total Operating Revenues	<u>17,714,243</u>	<u>6,638,113</u>	<u>6,373,850</u>	<u>3,604,504</u>	<u>34,330,710</u>
<u>Operating Expenses:</u>					
Personal Services	1,680,418	2,509,316	1,373,889	1,467,104	7,030,727
Materials and Supplies	10,152,650	1,067,213	446,074	115,191	11,781,128
Contractual Services	616,582	663,150	1,447,089	942,665	3,669,486
Depreciation	399,424	832,915	1,824,337	158,220	3,214,896
Other Operating Expenses	73,311	12,984	10,684	18,189	115,168
Total Operating Expenses	<u>12,922,385</u>	<u>5,085,578</u>	<u>5,102,073</u>	<u>2,701,369</u>	<u>25,811,405</u>
Operating Income	4,791,858	1,552,535	1,271,777	903,135	8,519,305
<u>Non-Operating Revenues (Expenses):</u>					
Investment Earnings	0	0	0	9,301	9,301
Interest and Fiscal Charges	0	(117,974)	(1,046,010)	(136,961)	(1,300,945)
Gain on Sale of Land	90,194	0	0	0	90,194
Loss on Disposal of Fixed Assets	(10,465)	(923)	0	(1,010)	(12,398)
Total Non-Operating Revenues (Expenses)	<u>79,729</u>	<u>(118,897)</u>	<u>(1,046,010)</u>	<u>(128,670)</u>	<u>(1,213,848)</u>
Net Income	4,871,587	1,433,638	225,767	774,465	7,305,457
Add: Depreciation Charged to Contributed Capital	0	0	184,696	0	184,696
Retained Earnings/ Accumulated Deficit at Beginning 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>
Retained Earnings/Accumulated Deficit at End of Year	<u>\$10,865,470</u>	<u>\$15,959,876</u>	<u>\$8,970,966</u>	<u>(\$1,924,694)</u>	<u>\$33,871,618</u>

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Gas	Water	Water Pollution	Sanitation	Totals
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$16,247,629	\$6,381,419	\$6,195,894	\$3,240,708	\$32,065,650
Cash Payments for Goods and Services	(13,308,620)	(1,665,292)	(1,933,450)	(1,082,328)	(17,989,690)
Cash Payments to Employees	(1,696,536)	(2,452,192)	(1,358,485)	(1,460,129)	(6,967,342)
Customer Deposits Received	117,671	21,761	21,761	0	161,193
Customer Deposits Returned	(108,029)	(19,978)	(19,978)	0	(147,985)
Net Cash Provided by Operating Activities	<u>1,252,115</u>	<u>2,265,718</u>	<u>2,905,742</u>	<u>698,251</u>	<u>7,121,826</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Proceeds from Ohio Water Development					
Authority Loans	0	12,705,027	0	0	12,705,027
Proceeds from Sale of Land	120,347	0	0	0	120,347
Acquisition and Construction of Assets	(178,295)	(13,053,061)	(1,035,642)	(20,498)	(14,287,496)
Capital Lease Payments	0	(2,539)	0	0	(2,539)
Principal Paid on Ohio Water					
Development Authority Loans	0	(92,932)	(1,200,948)	(152,663)	(1,446,543)
Interest Paid on All Debt	0	(117,974)	(1,046,010)	(136,961)	(1,300,945)
Net Cash Used for					
Capital and Related Financing Activities	<u>(57,948)</u>	<u>(561,479)</u>	<u>(3,282,600)</u>	<u>(310,122)</u>	<u>(4,212,149)</u>
<u>Cash Flows from Investing Activities:</u>					
Sale of Investments	0	0	0	147,937	147,937
Receipt of Investment Earnings	0	872	0	29,002	29,874
Net Cash Provided by Investing Activities	<u>0</u>	<u>872</u>	<u>0</u>	<u>176,939</u>	<u>177,811</u>
Net Increase (Decrease) in Cash and Cash Equivalents	1,194,167	1,705,111	(376,858)	565,068	3,087,488
Cash and Cash Equivalents at Beginning of Year	<u>2,229,901</u>	<u>5,053,308</u>	<u>6,079,786</u>	<u>648,295</u>	<u>14,011,290</u>
Cash and Cash Equivalents at End of Year	<u><u>\$3,424,068</u></u>	<u><u>\$6,758,419</u></u>	<u><u>\$5,702,928</u></u>	<u><u>\$1,213,363</u></u>	<u><u>\$17,098,778</u></u>
<u>Reconciliation of Cash and</u>					
<u> Cash Equivalents per the Balance Sheet:</u>					
Cash and Cash Equivalents	\$3,270,240	\$6,050,209	\$5,674,478	\$1,036,424	\$16,031,351
Restricted Cash and Cash Equivalents	153,828	708,210	28,450	176,939	1,067,427
Cash and Cash Equivalents at End of Year	<u><u>\$3,424,068</u></u>	<u><u>\$6,758,419</u></u>	<u><u>\$5,702,928</u></u>	<u><u>\$1,213,363</u></u>	<u><u>\$17,098,778</u></u>

(Continued)

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF CASH FLOWS
ENTERPRISE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Gas	Water	Water Pollution	Sanitation	Totals
<u>Reconciliation of Operating Income to Net Cash</u>					
<u>Provided by Operating Activities:</u>					
Operating Income	\$4,791,858	\$1,552,535	\$1,271,777	\$903,135	\$8,519,305
Adjustments to Reconcile Operating Income to					
Net Cash Provided by Operating Activities:					
Depreciation Expense	399,424	832,915	1,824,337	158,220	3,214,896
Changes in Assets and Liabilities:					
Increase in Accounts Receivable	(1,393,303)	(243,710)	(167,272)	(345,607)	(2,149,892)
(Increase) Decrease in Inventory	472,674	47,988	5,649	(744)	525,567
(Increase) Decrease in Prepaid Items	(2,161)	(1,746)	(1,090)	474	(4,523)
Increase (Decrease) in Accounts Payable	(3,010,818)	19,829	(50,367)	(1,160)	(3,042,516)
Increase in Accrued Wages and Benefits	7,082	41,583	11,070	9,722	69,457
Increase in Due to Other Funds	0	0	0	21,841	21,841
Increase (Decrease) in Intergovernmental Payable	1,000	0	0	(114)	886
Increase in Customer Deposits	9,642	1,783	1,783	0	13,208
Decrease in Landfill Postclosure Care Liability	0	0	0	(44,690)	(44,690)
Increase (Decrease) in Compensated Absences	(23,283)	14,541	9,855	(2,826)	(1,713)
Total Adjustments	<u>(3,539,743)</u>	<u>713,183</u>	<u>1,633,965</u>	<u>(204,884)</u>	<u>(1,397,479)</u>
Net Cash Provided by Operating Activities	<u>\$1,252,115</u>	<u>\$2,265,718</u>	<u>\$2,905,742</u>	<u>\$698,251</u>	<u>\$7,121,826</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2002 the Gas, Water, Water Pollution, and Sanitation Funds had outstanding liabilities of \$7,618, \$35,492, \$164,887, and \$34,500 respectively for certain capital assets. During 2002, the Water Fund incurred a liability of \$603,980 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 \$502,355 to the Ohio Water Development Authority for fees and capitalized interest charged by the Authority. During 2002, the Water Fund entered into a \$26,226 capital lease for copiers.



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, 2002

	Utilities Collection	Electrical	Information Services	Health Insurance Management	Totals
Assets:					
Cash and Cash Equivalents	\$637,757	\$206,944	\$16,192	\$12,519	\$873,412
Inventory of Supplies at Cost	24,210	126,120	12,113	0	162,443
Prepaid Items	535	1,366	0	37,134	39,035
Property, Plant and Equipment	497,973	1,581,968	53,799	0	2,133,740
Less: Accumulated Depreciation	(325,727)	(1,078,896)	(24,903)	0	(1,429,526)
Net Fixed Assets	<u>172,246</u>	<u>503,072</u>	<u>28,896</u>	<u>0</u>	<u>704,214</u>
Total Assets	<u>\$834,748</u>	<u>\$837,502</u>	<u>\$57,201</u>	<u>\$49,653</u>	<u>\$1,779,104</u>
Liabilities and Fund Equity:					
Liabilities:					
Accounts Payable	\$8,471	\$9,542	\$8,459	\$737	\$27,209
Accrued Wages and Benefits	62,735	38,243	8,985	0	109,963
Compensated Absences Payable	136,338	55,525	9,909	0	201,772
Capital Leases Payable	17,569	2,723	0	0	20,292
Claims Payable	<u>0</u>	<u>0</u>	<u>0</u>	<u>443,095</u>	<u>443,095</u>
Total Liabilities	<u>225,113</u>	<u>106,033</u>	<u>27,353</u>	<u>443,832</u>	<u>802,331</u>
Fund Equity:					
Contributed Capital	0	84,751	0	0	84,751
Retained Earnings/Accumulated Deficit:					
Unreserved	<u>609,635</u>	<u>646,718</u>	<u>29,848</u>	<u>(394,179)</u>	<u>892,022</u>
Total Fund Equity	<u>609,635</u>	<u>731,469</u>	<u>29,848</u>	<u>(394,179)</u>	<u>976,773</u>
Total Liabilities and Fund Equity	<u>\$834,748</u>	<u>\$837,502</u>	<u>\$57,201</u>	<u>\$49,653</u>	<u>\$1,779,104</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, 2002

	Utilities Collection	Electrical	Information Services	Health Insurance Management	Totals
Operating Revenues:					
Charges for Services	\$1,455,023	\$794,005	\$152,142	\$3,912,768	\$6,313,938
Other Operating Revenues	6,243	28,002	0	0	34,245
Total Operating Revenues	<u>1,461,266</u>	<u>822,007</u>	<u>152,142</u>	<u>3,912,768</u>	<u>6,348,183</u>
Operating Expenses:					
Personal Services	908,968	558,225	95,799	3,931,684	5,494,676
Materials and Supplies	127,915	162,537	10,153	0	300,605
Contractual Services	107,253	81,454	28,404	0	217,111
Depreciation	32,781	92,398	5,101	0	130,280
Total Operating Expenses	<u>1,176,917</u>	<u>894,614</u>	<u>139,457</u>	<u>3,931,684</u>	<u>6,142,672</u>
Operating Income (Loss)	284,349	(72,607)	12,685	(18,916)	205,511
Non-Operating Revenues (Expenses):					
Nonoperating Revenue	0	0	9,086	0	9,086
Loss on Disposal of Fixed Assets	0	(7,494)	0	0	(7,494)
Total Non-Operating Revenues (Expenses)	<u>0</u>	<u>(7,494)</u>	<u>9,086</u>	<u>0</u>	<u>1,592</u>
Net Income (Loss)	284,349	(80,101)	21,771	(18,916)	207,103
Retained Earnings/					
Accumulated Deficit at Beginning of Year	<u>325,286</u>	<u>726,819</u>	<u>8,077</u>	<u>(375,263)</u>	<u>684,919</u>
Retained Earnings/ Accumulated Deficit at End of Year	<u>\$609,635</u>	<u>\$646,718</u>	<u>\$29,848</u>	<u>(\$394,179)</u>	<u>\$892,022</u>

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Utilities Collection	Electrical	Information Services	Health Insurance Management	Totals
<u>Cash Flows from Operating Activities:</u>					
Cash Received from Customers	\$1,461,266	\$822,257	\$152,142	\$3,928,768	\$6,364,433
Cash Payments for Goods and Services	(233,789)	(194,150)	(45,764)	0	(473,703)
Cash Payments to and on behalf of Employees	(890,193)	(543,799)	(92,707)	(4,133,815)	(5,660,514)
Net Cash Provided (Used) by Operating Activities	<u>337,284</u>	<u>84,308</u>	<u>13,671</u>	<u>(205,047)</u>	<u>230,216</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>					
Acquisition and Construction of Assets	(48,871)	(111,706)	(1,905)	0	(162,482)
Capital Lease Payments	(21,683)	(581)	0	0	(22,264)
Net Cash Used for Capital and Related Financing Activities	<u>(70,554)</u>	<u>(112,287)</u>	<u>(1,905)</u>	<u>0</u>	<u>(184,746)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	266,730	(27,979)	11,766	(205,047)	45,470
Cash and Cash Equivalents at Beginning of Year	371,027	234,923	4,426	217,566	827,942
Cash and Cash Equivalents at End of Year	<u>\$637,757</u>	<u>\$206,944</u>	<u>\$16,192</u>	<u>\$12,519</u>	<u>\$873,412</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>					
Operating Income (Loss)	\$284,349	(\$72,607)	\$12,685	(\$18,916)	\$205,511
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	32,781	92,398	5,101	0	130,280
Changes in Assets and Liabilities:					
Decrease in Accounts Receivable	0	0	0	16,000	16,000
Decrease in Intergovernmental Receivable	0	250	0	0	250
(Increase) Decrease in Inventory	631	47,130	(9,351)	0	38,410
(Increase) Decrease in Prepaid Items	539	(56)	0	(37,134)	(36,651)
Increase in Accounts Payable	253	2,839	2,144	314	5,550
Increase in Accrued Wages and Benefits	9,482	6,244	3,948	0	19,674
Increase (Decrease) in Compensated Absences	9,249	8,110	(856)	0	16,503
Decrease in Claims Payable	0	0	0	(165,311)	(165,311)
Total Adjustments	<u>52,935</u>	<u>156,915</u>	<u>986</u>	<u>(186,131)</u>	<u>24,705</u>
Net Cash Provided (Used) by Operating Activities	<u>\$337,284</u>	<u>\$84,308</u>	<u>\$13,671</u>	<u>(\$205,047)</u>	<u>\$230,216</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2002 the Utilities and Information Services Funds had outstanding liabilities of \$5,490 and \$2,629 respectively for certain capital assets. During 2002, the Information Services Fund received capital assets from the General Fixed Assets Account Group with a net book value of \$9,086. During 2002, the Electric Fund entered into a \$2,774 capital lease for a copier.

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, 2002

	<i>Expendable Trust Fund</i>	<i>Nonexpendable Trust Fund</i>
	Cemetery Interment Trust	Cemetery Trust
<u>Assets:</u>		
Cash and Cash Equivalents	\$46,476	\$149,744
Investments	178,000	561,019
Receivables (net of allowance for doubtful accounts):		
Accounts	3,796	847
Interest	1,096	1,661
Due from Other Funds	0	0
Restricted Assets:		
Cash with Fiscal Agent	0	0
Total Assets	\$229,368	\$713,271
<u>Liabilities and Fund Equity:</u>		
Liabilities:		
Due to Other Funds	\$0	\$0
Intergovernmental Payables	0	0
Due to Others	0	0
Deferred Revenue	3,869	0
Total Liabilities	3,869	0
Fund Equity:		
Reserved for Endowments	0	713,271
Unreserved	225,499	0
Total Fund Equity	225,499	713,271
Total Liabilities and Fund Equity	\$229,368	\$713,271

THE CITY OF LANCASTER, OHIO
COMBINING BALANCE SHEET
FIDUCIARY FUNDS
DECEMBER 31, 2002

<i>Agency Funds</i>			
Street Deposit	Municipal Court	Law Library	Totals
\$2,700	\$0	\$0	\$198,920
0	0	0	739,019
0	0	0	4,643
0	0	0	2,757
0	0	4,627	4,627
0	174,150	0	174,150
\$2,700	\$174,150	\$4,627	\$1,124,116
\$0	\$90,367	\$0	\$90,367
0	0	4,627	4,627
2,700	83,783	0	86,483
0	0	0	3,869
2,700	174,150	4,627	185,346
0	0	0	713,271
0	0	0	225,499
0	0	0	938,770
\$2,700	\$174,150	\$4,627	\$1,124,116

THE CITY OF LANCASTER, OHIO
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2002

	Balance December 31, 2001	Additions	Deductions	Balance December 31, 2002
<u>Street Deposit Fund</u>				
Assets:				
Cash and Cash Equivalents	\$2,400	\$1,500	(\$1,200)	\$2,700
Total Assets	<u>\$2,400</u>	<u>\$1,500</u>	<u>(\$1,200)</u>	<u>\$2,700</u>
Liabilities:				
Due to Others	\$2,400	\$1,500	(\$1,200)	\$2,700
Total Liabilities	<u>\$2,400</u>	<u>\$1,500</u>	<u>(\$1,200)</u>	<u>\$2,700</u>
<u>Municipal Court Fund</u>				
Assets:				
Restricted Assets:				
Cash with Fiscal Agent	\$146,125	\$3,186,520	(\$3,158,495)	\$174,150
Total Assets	<u>\$146,125</u>	<u>\$3,186,520</u>	<u>(\$3,158,495)</u>	<u>\$174,150</u>
Liabilities:				
Due to Other Funds	\$72,853	\$1,215,403	(\$1,197,889)	\$90,367
Intergovernmental Payable	0	1,050,387	(1,050,387)	0
Due to Others	73,272	920,730	(910,219)	83,783
Total Liabilities	<u>\$146,125</u>	<u>\$3,186,520</u>	<u>(\$3,158,495)</u>	<u>\$174,150</u>
<u>Law Library Fund</u>				
Assets:				
Cash and Cash Equivalents	\$0	\$71,816	(\$71,816)	\$0
Due from Other Funds	4,068	4,627	(4,068)	4,627
Total Assets	<u>\$4,068</u>	<u>\$76,443</u>	<u>(\$75,884)</u>	<u>\$4,627</u>
Liabilities:				
Intergovernmental Payable	\$4,068	\$76,443	(\$75,884)	\$4,627
Total Liabilities	<u>\$4,068</u>	<u>\$76,443</u>	<u>(\$75,884)</u>	<u>\$4,627</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$2,400	\$73,316	(\$73,016)	\$2,700
Due from Other Funds	4,068	4,627	(4,068)	4,627
Restricted Assets:				
Cash with Fiscal Agent	146,125	3,186,520	(3,158,495)	174,150
Total Assets	<u>\$152,593</u>	<u>\$3,264,463</u>	<u>(\$3,235,579)</u>	<u>\$181,477</u>
Liabilities:				
Due to Other Funds	\$72,853	\$1,215,403	(\$1,197,889)	\$90,367
Intergovernmental Payables	4,068	1,126,830	(1,126,271)	4,627
Due to Others	75,672	922,230	(911,419)	86,483
Total Liabilities	<u>\$152,593</u>	<u>\$3,264,463</u>	<u>(\$3,235,579)</u>	<u>\$181,477</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, 2002

General Fixed Assets:

Land	\$1,996,686
Buildings	6,127,559
Improvements Other Than Buildings	4,747,008
Vehicles	4,141,761
Equipment	4,047,978
Subtotal	<u>21,060,992</u>
Less: Accumulated Depreciation	<u>(10,879,153)</u>
Subtotal	10,181,839
Construction in Progress	<u>209,649</u>
Total Net General Fixed Assets	<u><u>\$10,391,488</u></u>

Net Investment in General Fixed Assets from:

General Fund	\$4,941,073
Special Revenue Funds	5,443,213
Proprietary Funds	<u>7,202</u>
Total Net Investment in General Fixed Assets	<u><u>\$10,391,488</u></u>

This Page is Intentionally Left Blank.

THE CITY OF LANCASTER, OHIO
SCHEDULE OF GENERAL FIXED ASSETS
BY CATEGORY
DECEMBER 31, 2002

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	85,905
Total	14,897	40,730	85,905
<u>Transportation:</u>			
Public Transit	0	0	0
Street Construction	1,000	292,521	29,592
Total	1,000	292,521	29,592
<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	\$4,747,008
Less: Accumulated Depreciation			
Total Net General Fixed Assets			

THE CITY OF LANCASTER, OHIO
SCHEDULE OF GENERAL FIXED ASSETS
BY CATEGORY
DECEMBER 31, 2002

Vehicles	Equipment	Construction in Progress	Total
\$0	\$2,422	\$0	\$2,422
0	4,150	0	4,150
0	8,763	0	8,763
0	130,288	175,448	2,845,843
0	56,897	0	58,140
0	52,695	0	56,325
0	3,404	0	3,404
13,655	54,796	0	68,451
82,788	125,460	0	208,248
0	59,051	0	59,051
0	428,428	0	449,704
0	75,727	0	131,549
0	14,172	0	14,172
<u>96,443</u>	<u>1,016,253</u>	<u>175,448</u>	<u>3,910,222</u>
679,345	766,241	0	3,729,657
<u>1,600,178</u>	<u>634,165</u>	<u>34,201</u>	<u>3,030,593</u>
<u>2,279,523</u>	<u>1,400,406</u>	<u>34,201</u>	<u>6,760,250</u>
31,191	93,483	0	124,674
<u>125,178</u>	<u>210,306</u>	<u>0</u>	<u>477,016</u>
<u>156,369</u>	<u>303,789</u>	<u>0</u>	<u>601,690</u>
195,564	0	0	195,564
<u>1,030,654</u>	<u>869,648</u>	<u>0</u>	<u>2,223,415</u>
<u>1,226,218</u>	<u>869,648</u>	<u>0</u>	<u>2,418,979</u>
0	52,263	0	52,263
<u>0</u>	<u>10,476</u>	<u>0</u>	<u>10,476</u>
<u>0</u>	<u>62,739</u>	<u>0</u>	<u>62,739</u>
383,208	392,259	0	7,508,137
<u>0</u>	<u>2,884</u>	<u>0</u>	<u>8,624</u>
<u>383,208</u>	<u>395,143</u>	<u>0</u>	<u>7,516,761</u>
<u>\$4,141,761</u>	<u>\$4,047,978</u>	<u>\$209,649</u>	<u>\$21,270,641</u>
			<u>(10,879,153)</u>
			<u>\$10,391,488</u>

THE CITY OF LANCASTER, OHIO
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE YEAR ENDED DECEMBER 31, 2002

Function and Activity	December 31, 2001	Transfers	Additions	Deletions	December 31, 2002
<u>General Government:</u>					
Council	\$2,422	\$0	\$0	\$0	\$2,422
Mayor	1,555	4,150	0	(1,555)	4,150
Personnel	8,763	0	0	0	8,763
City Hall	2,704,483	(4,150)	175,448	(29,938)	2,845,843
Auditor	63,508	0	7,409	(12,777)	58,140
Income Tax	75,347	0	1,235	(20,257)	56,325
Treasurer	1,437	0	3,404	(1,437)	3,404
Safety Director	66,604	0	1,847	0	68,451
Engineer	183,308	0	24,940	0	208,248
Prosecutor	60,019	0	1,091	(2,059)	59,051
Court-Clerk	384,962	0	66,597	(1,855)	449,704
Court-Judicial	126,085	0	14,340	(8,876)	131,549
Court-Electronic Surveillance	14,172	0	0	0	14,172
Total	<u>3,692,665</u>	<u>0</u>	<u>296,311</u>	<u>(78,754)</u>	<u>3,910,222</u>
<u>Security of Persons and Property:</u>					
Police	3,594,327	0	197,874	(62,544)	3,729,657
Fire	2,998,803	0	44,706	(12,916)	3,030,593
Total	<u>6,593,130</u>	<u>0</u>	<u>242,580</u>	<u>(75,460)</u>	<u>6,760,250</u>
<u>Public Health and Welfare Services:</u>					
Public Health	124,674	0	0	0	124,674
Cemetery	443,204	0	65,218	(31,406)	477,016
Total	<u>567,878</u>	<u>0</u>	<u>65,218</u>	<u>(31,406)</u>	<u>601,690</u>
<u>Transportation:</u>					
Public Transit	75,564	0	120,000	0	195,564
Street Construction	2,118,431	0	104,984	0	2,223,415
Total	<u>2,193,995</u>	<u>0</u>	<u>224,984</u>	<u>0</u>	<u>2,418,979</u>
<u>Community Environment:</u>					
Community Development	52,263	0	0	0	52,263
Economic Development	10,476	0	0	0	10,476
Total	<u>62,739</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>62,739</u>
<u>Leisure Time Activities:</u>					
Park	7,389,601	0	118,536	0	7,508,137
Mumaugh	8,624	0	0	0	8,624
Total	<u>7,398,225</u>	<u>0</u>	<u>118,536</u>	<u>0</u>	<u>7,516,761</u>
Total General Fixed Assets	20,508,632	0	947,629	(185,620)	21,270,641
Less: Accumulated Depreciation	(10,135,934)	0	(894,743)	151,524	(10,879,153)
Total Net General Fixed Assets	<u>\$10,372,698</u>	<u>\$0</u>	<u>\$52,886</u>	<u>(\$34,096)</u>	<u>\$10,391,488</u>

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)

<u>Year</u>		<u>Security of Persons and Property</u>	<u>Public Health and Welfare</u>	<u>Leisure Time Activities</u>	<u>Community Environment</u>	<u>Transportation</u>	<u>General Government</u>	<u>(1) Miscellaneous</u>	<u>Total</u>
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
2002	b	12,690	1,140	1,474	958	3,062	5,247	291	24,862

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)

<u>Year</u>		<u>Taxes</u>	<u>Inter-Governmental Revenues</u>	<u>Charges for Services</u>	<u>Licenses, Permits and Fees</u>	<u>Investment Earnings</u>	<u>Special Assessments</u>	<u>Fines and Forfeitures</u>	<u>(1) All Other Revenue</u>	<u>Total</u>
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	2,124	17	981	216	1,085	270	24,640
2002	b	14,285	6,359	2,141	19	459	37	1,214	296	24,810

a Includes General Fund only.

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

(1) Includes Investment Earnings in 1993

THE CITY OF LANCASTER, OHIO
PROPERTY TAX LEVIES AND COLLECTIONS
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
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%
2002	1,788,684	1,628,147	52,238	1,680,385	93.95%	81,285	4.54%

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	
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	49,678,800	92,941,903	371,767,612	580,459,833	1,764,675,983	32.89%
2002	553,938,230	1,582,680,657	15,746,060	44,988,743	91,377,351	365,509,404	661,061,641	1,993,178,804	33.17%

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				
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
2002	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>
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%
2002	38,170	37,480	98.19%

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, 2002

	Total Debt	Unvoted Debt
Net Assessed Valuation	\$661,061,641	\$661,061,641
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	69,411,472	36,358,390
Applicable City Debt Outstanding (2)	1,625,000	1,625,000
Less: Applicable Debt Service Fund Amounts	(12,532)	(12,532)
Net Indebtedness Subject to Limitation	1,612,468	1,612,468
Legal Debt Margin	\$67,799,004	\$34,745,922

(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

<u>Year</u>	<u>Population (1)</u>	<u>Assessed Value (2)</u>	<u>Gross Bonded Debt (3)</u>	<u>Debt Service Funds Available</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Valuation</u>	<u>Net Bonded Debt Per Capita</u>
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
2002	35,860	661,061,641	0	12,532	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

<u>Fiscal Year</u>		<u>Debt Principal</u>	<u>Debt Interest</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures</u>	<u>Ratio of Tax Debt Service to General Governmental Expenditures</u>
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%
2002	b	0	0	0	24,862,125	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, 2002

<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)	\$1,612,468	100.00%	\$1,612,468
Overlapping Subdivisions				
Lancaster City School District	(b)	0	81.37%	0
Fairfield County	(b)	2,210,000	27.22%	601,562
				<u>601,562</u>
				<u>\$2,214,030</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 POLLUTION MORTGAGE BONDS
LAST TEN YEARS

<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Direct Operating Expenses (2)</u>	<u>Net Revenue Available For Debt Service</u>	<u>Debt Service Requirement</u>	<u>Coverage</u>
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
2002	6,373,850	3,277,736	3,096,114	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>2002</u>
1993	35,567	112,380				
1994	35,808	114,738	Total Housing Units	15,186	15,891	16,140
1995	36,195	117,556				
1996	36,535	119,182	Owner Occupied	60%	59%	60%
1997	37,826	131,809				
1998	38,254	136,351	Vacancy Rate	5.2%	5.1%	6.5%
1999	38,983	126,723				
2000	a) 35,335	122,759				
2001	35,600	124,950				
2002	35,860	127,150				

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
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%
2002	22,600	70,500	21,300	67,500	5.50%	4.20%	5.00%	5.00%

(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>	
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
2002	127	18,108,013	42	17,445,500	370,588

(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, 2002

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002 Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1. Anchor Hocking Glass Consumer	Glass	\$18,815,260	20.59%
2. Ralcorp Holdings, Inc.	Food	7,220,260	7.90%
3. McDermott Inc.	Electronics	5,174,980	5.66%
4. Scotts Miracle Gro	Horticulture	2,961,710	3.24%
5. Lancaster Glass	Glass	2,635,880	2.89%
6. Crown Cork and Seal Company	Glass Closures	2,058,870	2.25%
7. International Paper Company	Paper	1,709,000	1.87%
8. Lowes Home Centers, Inc.	Retail Home Improvement	1,602,180	1.75%
9. Massachusetts Cablevision	Cable	1,601,140	1.75%
10. Taylor Chevrolet	Automobile Dealership	1,538,740	1.69%
	Subtotal	45,318,020	49.59%
	All Others	46,059,331	50.41%
	Total	<u><u>\$91,377,351</u></u>	<u><u>100.00%</u></u>

Based on valuation of property taxes levied in 2002.
Source: Fairfield County Auditor - Land and Buildings.

THE CITY OF LANCASTER, OHIO
PRINCIPAL TAXPAYERS (REAL PROPERTY AND PUBLIC UTILITY PERSONAL PROPERTY TAX)
DECEMBER 31, 2002

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2002 Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1. Glimcher Holdings	Property	\$22,937,700	4.03%
2. Ohio Power Company	Utility - Electric	10,986,780	1.93%
3. Anchor Hocking Glass Corporation	Glass	5,290,640	0.93%
4. Ohio Bell Telephone	Utility - Telephone	4,733,970	0.83%
5. Mount Carmel Health Systems	Health	3,984,050	0.70%
6. Lancaster Phase One Group	Property	3,982,810	0.70%
7. Glimcher Center LTD Partnership	Property	3,147,690	0.55%
8. Lowes Home Centers, Inc.	Retail Home Improvement	2,728,170	0.48%
9. T & R River Valley LTD Partnership	Property	2,526,550	0.44%
10. Spires Group Inc.	Property	2,187,670	0.38%
	Subtotal	62,506,030	10.97%
	All Others	507,178,260	89.03%
	Total	<u>\$569,684,290</u>	<u>100.00%</u>

Based on valuation of property taxes collected in 2002.
Source: Fairfield County Auditor - Land and Buildings.

THE CITY OF LANCASTER, OHIO
MISCELLANEOUS STATISTICS
DECEMBER 31, 2002

Date of Incorporation	1831	Police Services:		Water System:	
Form of Government	Mayor/ Council	Number of Stations	1	Number of Purification Plants	1
Area (square miles)	16.547	Number of Police Personnel and Officers	87	Miles of Water Mains	162
Facilities and Services:		Number of Patrol Units	13	Number of Fire Hydrants	1,400
Miles of Streets	141.3	Number of Call Received	54,555	Number of Service Connections	14,240
Number of Street Lights	2,085	Traffic Citations Issued	4,242	Average Daily Consumption (gallons)	5.035MGD
Electric Illuminated Signals	88	Parking Tickets Written	2,928	Maximum Daily Capacity of Plant (gallons)	8.5M
Recreation and Culture:		Fire/Emergency Medical Services:		Sewerage System:	
Number of Parks	25	Number of Stations	3	Number of Treatment Plants	1
Park Area (acres)	657	Number of Fire Personnel and Officers	81	Miles of Sanitary Sewers	170
Number of Ball Fields:		Number of Calls Answered	6,782	Miles of Storm Sewers	50
Lighted	4	Number of Inspections	2,487	Number of Service Connections	13,707
Unlighted	22	Number of Fire Runs	1,753	Average Daily Treatment (gallons)	5.8M
Number of Tennis Courts:		Number of Medic Runs	5,029	Maximum Daily Capacity of Treatment (gallons)	12.5M
Unlighted	12			Education *:	
Number of Libraries	1	Transportation:			
(Operated by Fairfield County)		Air:		Elementary Schools	Public 9 Private/Parochial 2
Number of Cemeteries	5	Airports	1	Elementary School Students	3,387 783
Cemetery Area (Acres)	150	Freight Airlines	4	Elementary School Instructors	226 40
Hospitals:		Land:		Junior High/Middle Schools	2
Number of Hospitals	1	Trucking Firms	5	Junior High/Middle School Students	1,002
Number of Patient Beds	203	Bus Lines	1	Junior High/Middle School Instructors	108
Number of Bassinets	23	Rail:		Secondary Schools	2 1
		Railroad Systems	2	Secondary School Students	1,750 317
				Secondary School Instructors	110 24
				Colleges	2
				College Students	1,664

* Total School District data provided by the Lancaster City School District and other private schools.



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140

Telephone 614-466-4514
800-282-0370

Facsimile 614-466-4490

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
SEPTEMBER 18, 2003**