



**Auditor of State
Betty Montgomery**

CITY OF LANCASTER
FAIRFIELD COUNTY

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**CITY OF LANCASTER
FAIRFIELD COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

Federal Grantor/ Pass Through Grantor Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>			
Community Development Block Grant Entitlement Program:			
CDBG 94	N/A	14.218	\$249
CDBG 96			3,154
CDBG 97			5,000
CDBG 98			4,559
CDBG 99			59,653
CDBG 00			8,306
CDBG 01			62,484
CDBG 02			390,386
CDBG 03			19,382
Total CDBG - 14.218			<u>553,173</u>
Home Investment Partnerships Program (Home)	N/A	14.239	<u>172,021</u>
Total U.S. Department of Housing and Urban Development			<u>725,194</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation</i>			
Public Transportation for NonUrbanized Areas	RPT4023-022-031 RPT0023-021-032	20.509	<u>262,373</u>
Total U.S. Department of Transportation			<u>262,373</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>			
<i>Passed Through Ohio Office of Criminal Justice Services</i>			
Violence Against Women Formula Grant	2002-WF-VA5-8422	16.588	31,181
Local Law Enforcement Block Grant	2002-LB-BX-2129	16.592	30,174
Byrne Formula Grant	2002-DG-DOZ-7214	16.579	<u>34,013</u>
Total U.S. Department of Justice			95,368
<u>FEDERAL EMERGENCY MANAGEMENT AGENCY</u>			
Assistance to Firefighters Grant	N/A	97.044	<u>113,445</u>
Total Federal Emergency Management Agency			<u>113,445</u>
Total Federal Assistance			<u><u>\$1,196,380</u></u>

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

**CITY OF LANCASTER
FAIRFIELD COUNTY**

**NOTES TO SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2003**

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	\$109,036

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 was recorded as a disbursement on the 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, 2003, the gross amount of loans outstanding under the Community Development Block Grant (CDBG) program was \$622,390. At December 31, 2003, the gross amount of loans outstanding under the Home Improvement Partnerships Program was \$665,306.

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

To the City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Lancaster, Fairfield County, Ohio (the City), as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 20, 2004, wherein we noted the City restated beginning net assets in the Enterprise Gas and Storm Water Funds. We also noted the City adopted *Governmental Accounting Standards Board Statement No. 34*. 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 City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance we must report under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the City's management in a separate letter dated August 20, 2004.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting 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 misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the City's management in a separate letter dated August 20, 2004.

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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

August 20, 2004



**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 of Lancaster
Fairfield County
104 East Main Street
Lancaster, OH 43130

To the City Council:

Compliance

We have audited the compliance of the City of Lancaster, Fairfield County, Ohio, (the City), with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2003. 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.

As described in item 2003-001 in the accompanying schedule of findings, the City did not comply with requirements regarding cash management that are applicable to its Assistance to Firefighters grant. Compliance with such requirements is necessary, in our opinion, for the City to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2003.

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 financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Lancaster, Fairfield County, Ohio (the City) as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 20, 2004, wherein we noted the City restated beginning net assets in the Enterprise Gas and Storm Water Funds and adopted *Governmental Accounting Standards Board Statement No. 34*. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of federal awards expenditures is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information 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

August 20, 2004

**CITY OF LANCASTER
FAIRFIELD COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
DECEMBER 31, 2003**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified – CFDA #14.218 Qualified – CFDA #97.044
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	Community Development Block Grant CFDA #14.218 Assistance to Firefighters CFDA #97.044
(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, 2003
(Continued)**

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

None.

3. FINDINGS FOR FEDERAL AWARDS

Finding Number	2003-001
CFDA Title and Number	CFDA #97.044 - Assistance to Firefighters
Federal Agency	Federal Emergency Management Agency

44 CFR Part 152.7 (d) requires that, when requesting funding, grantees can only request an amount that is necessary to satisfy their immediate cash needs directly related to the grant (i.e., an amount equal to the total eligible grant expenses due within 30 days).

In addition, 44 CFR 13.21, the A-102 Common Rule, requires that interest over \$100 (which may be kept for administrative expenses) earned on advances by local government grantees be submitted promptly, but at least quarterly, to the Federal agency.

The City incorrectly submitted drawdown cash requests in April and May of 2003. Disbursements of the grant monies occurred between August and December of 2003, at least four months after receipt of the majority of funds. Interest totaling approximately \$589 was earned on the federal funds received by the City. The majority of this interest should be remitted to the Federal Emergency Management Agency.

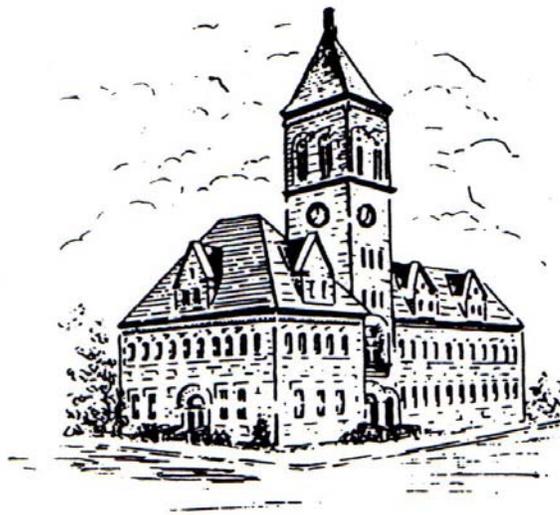
We recommend the City develop procedures to monitor grant receipts and disbursements to ensure only amounts necessary to satisfy immediate cash needs are requested. We also recommend the City develop procedures to monitor interest earned on federal grants so that amounts over \$100 can be remitted to the appropriate federal agency.

**CITY OF LANCASTER
FAIRFIELD COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2003**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2002-001	Finding for Recovery	Yes	
2002-002	Tier 2 SAS 70 Report for health insurance third party administrator	Yes	

Fairfield County, Ohio



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2003



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2003

Prepared by the City Auditor's Office

Mary A. Green
City Auditor



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FAIRFIELD COUNTY, OHIO

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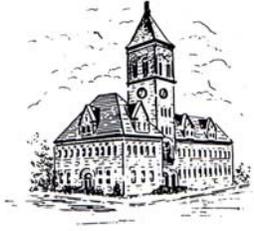
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INTRODUCTORY SECTION





CITY OF LANCASTER

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

phone (740) 687-6611

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August 23, 2004

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, 2003.

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

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

The Report

The CAFR is divided into three sections as follows:

1. The Introductory Section includes this letter of transmittal which presents the City's organization, operational structure and accomplishments; an organizational chart; a list of elected officials; and the GFOA Certificate of Achievement.
2. The Financial Section contains the Independent Accountants' Report, Management's Discussion and Analysis, basic financial statements and notes that provide an overview of the City's financial position and operating results, the combining statements for nonmajor funds and other schedules that provide detailed information relative to the basic financial statements.
3. The Statistical Section presents social, economic and historical data in a multi-year format useful in identifying financial trends and data relative to the fiscal capacity of the City.

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

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, Community Corrections Board, Fairfield-Hocking Major Crimes Investigation Unit and FairCATS.

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

City Overview

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

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

Items of Local Interest

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

Culture and Education

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

ECONOMIC CONDITION AND OUTLOOK

Construction for the U.S. Route 33 Lancaster Bypass to carry through US 33 traffic around the City continued in 2003. 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. Phase 1 of the project from US Route 22 north to existing US Route 33 at Plum Road near Carroll should open in early summer 2004. The remaining parts of the highway are to open in mid 2005.

Road improvements associated with the Lancaster Bypass will also improve access to an important industrial development in the City. Work on the bypass interchange at SR 188 realigned Delmont Road with that of a new stub street running north from SR 188 into the Rock Mill Corporate Park (RMCP) property. This improvement to RMCP will improve 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 RMCP 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 first of the recommended improvement projects to serve Phase 2 RMCP was designed and bid in 2003, with construction starting in late 2003. As part of the RNCP Phase 2, Part 1 project, Mill Park Drive is being extended from its present terminus south of Fair Avenue south to the stub street opposite Delmont Road at SR 188. In addition, City utilities are being extended along the length of the new street. The additional street frontage and utility service created with the new street will provide more industrial tracts for industries and businesses interested in moving to Lancaster. Construction will be completed by mid-summer 2004. Plans and bid documents are being prepared at year's end for the next project Phase 2, Part 2, which will extend services to the Bypass' SR 188 interchange area.

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

The City completed plans and plats to establish an industrial park on the excess land it owns at the Lancaster Municipal Gas' (LMG) Operations and Maintenance Building on Camp Ground Road. LMG relocated its operations in 2001. This facility 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' use of the parcel comprises only a small part of the 35-acre parcel. The plat subdivides the excess land 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. Infrastructure work to install the new street and utilities to serve the lots was underway at year's end. Two lots in the development had buildings under construction.

Growth in Fairfield County's population has spurred a demand for more services from the county government, and the number of staff that provides those services. In additional, the County Engineer's agreement with the Fairfield Agricultural Society at the Fairfield County Fairgrounds has expired, requiring the County Road Department to relocate. To provide the space necessary for the county government's expanding needs, the Fairfield County Commissioners were actively relocating offices in the City. The County acquired the former Anchor Hocking Engineering Center, also know as the Gloryland Nazarene Church site, from the Church of the Nazarene. The property lies along the south side of West Fair Avenue just east of Camp Ground Road. Site improvements to serve new county-government buildings were being installed at year's end. Enough work had been completed that the Fairfield County Engineer's office and the Road Department relocated from different sites to consolidate operations to Liberty Center's westerly most lot. A four-county joint juvenile detention facility was opened before the end of the year. The County Board of Elections and the County Board Of Education relocated to an existing building on the campus. A "one stop shop" combining the Deputy Registrar License Office, County Clerk of Courts title office and the Ohio Highway Patrol Drivers License Examination office is under construction at year's end. Eventually, offices for the Fairfield County Sheriff's office and a new county jail are planned to relocate to the campus.

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. The City Law Director relocated to the second floor in 2001, and the Engineering Department relocated to the first floor in June 2003. The information Services Department will eventually relocate to the lower level. Renovation work was completed in 2003. Renovations include upgrading the heating and cooling systems, removing fire-prone material from the walls, and removing unnecessary walls. The relocations have freed up much needed office space for other departments in the municipal Building to use.

Interest in the City's Northwest Corridor, along North Memorial Drive, remained strong in 2003. 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 regional grocery chain was studying a site for a new store and office in the Lowe's complex on Schorrway Drive. Four "big-box" national retail chains are working with the Economic Development Director to construct a major retail center on vacant property along Ety Road just south of Memorial Drive.

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

Further south on Memorial Drive at the northwest corner of the Fair Avenue intersection, Walgreen's a national pharmacy chain was erecting a new retail store. Three existing business buildings were demolished. Two of those businesses were abandoned. At the end of the 2003, Walgreen's was performing a "due diligence" review of a site on East Main Street for another retail store in the City.

The owner of the Memorial Drive Plaza Shopping Center was investing in a "face lift" for the storefronts in this 1950's vintage shopping center along Memorial Drive. An anchor in that shopping center, Festival Foods completed a major expansion in 2003.

Fairfield Medical Center began a \$27.5 million expansion in 2003. An older office building was razed and a 600 car, parking garage was being built in its place. A new medical office building will be attached to parking garage to replace the razed one. The garage will have a roof top helipad. A three-story, 65,000 square foot addition to hospital will enlarge the cafeteria and some of the hospital's laboratories. Also the addition will provide a new entrance to the emergency room with the emergency services being expanded.

Condominium home construction entered the City strongly in 2002, and continued strong in 2003. Two developers of condominium developments, under construction in 2002 started other similar developments in 2003. Southgate Corporation was constructing Stone Glen Condominiums in the Wesley Hill Subdivision along Pleasantville Road north of Concordia Drive after having great success with its Stonington Village at the northeast corner of Wheeling Road and Pleasantville Road. The new project will add 44 units. Berry and Miller were preparing plats and plans for 100 units at the Villas at Roxton Ravine along the South side of Fair Avenue opposite Ety Road. Berry and Miller was still finishing construction on the Villas at Sherman's Bluff along north SR 37; it will total 104 units when complete.

Other developers were preparing to enter the condominium market in the City. Rockford Homes is proposing a mixed-use planned unit development on the Collins Farm at the northwest corner of Ety Road and Fair Avenue. The Overlook will have 156 single-family houses, 60 condominium units and a commercial tract. C&T Development is proposing 152 Single-family ranch condominiums at the northwest former of Pleasantville Road and Rainbow Drive. The Villas at Pleasant Ridge will be freestanding units, setting them apart from the other condominium developments.

The proposed Wesley Hills development along the west die of Pleasantville Road north of Wheeling Road is also a mixed-use planned unit development. In addition to Stone Glen Condominiums, Wesley Woods will create 14 single-family lots on an extension of Pleasantview Drive. Wesley Hills is a mixed housing development w\that will also include elderly housing and conventional apartments; plans are currently being developed. Plans for Ruble Hills, an 86-unit condominium and a 120 single-residence subdivision along Whiley Road were in the preliminary stages.

Single residence housing activity remained strong in all parts of the City. New housing starts in the River Valley Highlands, a joint Dominion Homes and Rockford Homes project on the City's northwest side, continued to be steady in 2003. The approved portions of River Valley Highlands will continue to supply building lots for another year.

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

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 completed for the second phase of Hunters Trace Part V, and construction infrastructure was underway 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, another development in addition to The Overlook and the Villas at Roxton Ravine was underway in 2003. Misty Meadows will create 153 single-residence lots when complete. Infrastructure for Phases 1 and 2 was nearing completion. New house construction should begin in 2003. Beazer Homes of Columbus will be the principal builder in this development.

On the northeast side, a Columbus area developer was taking over the long-stalled Independence Commons Master Plan area. DBI Land Company has taken 93.35 acres of the undeveloped portions of the area to construct 203 single residence houses. Diyanni Homes will be the principal builder in the development. Ron Hawk is finalizing plans to continue on his Sheridan Rainbow Master Plan with 16 single-family lots in Sheridan Rainbow Division No. 12.

On the far-east side of the City, the plat has been accepted and construction plans completed for Noland Estates. It will create 20 single-residence lots near the junction of East Main Street and Marietta Road.

Three annexations were accepted in 2003. The Keller-Kirn Park annexation totaled 77.830 acres. The One-Write Company annexed its 13.049 acre commercial printing facility. One residential parcel of 1.049 acres also annexed into the City. Total annexation area was 92.282 acres in 2003.

MAJOR INITIATIVES

Construction on the long-awaited US Route 33 Lancaster Bypass continued into its third year in 2003. All phases of this four-phase project were underway at year's end, with Phase 1 close to opening. The Ohio Department of Transportation (ODOT) opened bids and work began on construction of Phase 1, in 2001, Phase 2, in 2002 and Phases 3 and 4 in 2003. Ultimately, this project will route traffic around the City between Horns Mill road south of Lancaster to Plum Road north of Lancaster. This highway will carry U.S. Route 33 through traffic around the City, thus taking traffic off of congested Memorial Drive inside 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 \$158M 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 that construction could begin in 2001. The first phase is expected to open when work between SR 188 and US 22 is completed. Full completion of the bypass is anticipated in mid-2005.

CITY OF LANCASTER, OHIO

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For the Year Ended December 31, 2003

The Bypass interchange with SR 188 will be proximate to the City's Rock Mill Corporate Park. Improvements have been made in the northern part of the park adjoining Fair Avenue, but the second phase of the park just north of SR 188 is raw land without any utility or street improvements. In 2002, City Council determined that the development of infrastructure improvements at the Rock Mill Corporate Park to be the City's top priority. 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.

Subsequently, construction drawings and bid documents were prepared and bids opened in 2003 to construct Phase 2, Part 1. This is a continuation of previous improvement projects that will extend Mill Park Drive from its present southern terminus south to SR 188. All necessary City utilities will also be extended with the roadway. Completion of Phase 2, Part 1 work is expected in mid-2004.

Design work for the next round of improvements at the Rock Mill Corporate Park, Phase 2, Part 2 is underway at year's end. Bidding on Phase 2, Part 2 is expected in early summer 2004. This project will complement the earlier Phase 2, Part 1 project, and also the Phase 1 projects that provided necessary infrastructure to serve the industrial park in the vicinity of Fair Avenue

In 2003, work began on a small sanitary sewer extension to serve part of the Rock Mill Corporate Park, Phase 1 area that is not presently served. The Wilson Road Sanitary Sewer Extension (West Fair Avenue) project is programmed for construction in 2004. The sewer extension is necessary to serve a potential industrial user on the vacant tract at the northwest corner of West Fair Avenue and Mill Park Drive. The new industry will bring new jobs to Lancaster.

Design and platting work on the Lancaster Industrial Park off of Camp Ground Road north of West Fair Avenue was completed in 2003. Construction on installing the necessary utilities and street to serve the industrial lots in the park began in late 2003. The City is acting as the developer on excess properties it acquired from the Anchor Hocking Plant complex on West Fair Avenue that was acquired for the Lancaster Municipal Gas maintenance facility. The facility was built proximate to the City's connection to interstate gas transmission mains. Newell Corporation, owner of Anchor Hocking forced the City to purchase additional land over what it needed for the maintenance facility in order to obtain the property near the gas transmission lines. Since the City lacks industrial lots for small businesses to erect small, combined office/warehouse facilities, the City decided to use the unneeded land for this purpose. Three lots are sold with two lots being built upon at this time.

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

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. Work was ongoing at year's end.

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. After years of negotiating with different property owners in the area, the City has settled on a suitable site. Design work is underway. Work is programmed to begin in mid-2004.

The City did not have a contract street resurfacing program again in 2003. The State Legislature passed legislation that will severely curtail the Division of Streets efforts to maintain the City's streets. The legislation has imposed a maximum of \$340,000.00 in work, including labor that a City may undertake on one of its streets. The City must bid projects of a greater magnitude.

In 2003, the Division of Streets, continued its preventive maintenance program that began 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 2003 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 performed 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 hot-mix asphalt concrete overlays to preserve the streets. A bid was let in 2002 for a micro-surfacing program. The work to lay a stress-absorbing membrane on the existing street surface, and then cover it with a polymer modified emulsified asphalt surface course was completed during the summer of 2003. The streets covered on this project will be monitored for performance of the materials used.

The City and the Ohio Department of Transportation (ODOT) continued joint efforts to plan for the partial reconstruction of existing US Route 33, Memorial Drive, through the City after the Lancaster Bypass opens. Most of the existing highway was constructed in 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 is "saving" up its annual allocations to pay its share of this project. However, the City will need to find an outside source of funds to be able to fully fund this estimated \$10M project.

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

ODOT started another bridge project in the City in 2002. ODOT will replace and widen the deck on the US Route 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 was completed in 2003. A bid date is expected in 2004.

In 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 was preparing construction plans for the project in 2003.

The Fairfield County Engineer finalized plans for the replacement of the South Ewing Street Bridge over the railroad in 2003. The present bridge has a loan reduction imposed on it that restricts some trucks from using it. It is located just north of former Anchor Hocking Plant 2 site and other industrial properties along South Ewing Street. The bridge is critical shipping link between these industrial properties and US Route 22. The City has been working to clean up the Anchor Hocking Plant 2 site for its reuse by another industry. The replacement of the bridge will allow a more direct truck route to the plant, which should enhance the marketability of the plant site. The project expected bid date is in the second quarter of 2004, with a completion date before the fourth quarter of 2004. Federal funding matched with a local share from the County's Bridge, Culvert and Road levy will cover construction costs.

Construction work continued on the South Wellfield 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 capability to expand to 11 mgd in the future, was needed. The adjoining wellfield 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 2003. The plant has been 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 terrorist attacks on the World Trade Center in New York City. The contractor has lately had difficulties in obtaining electronic equipment necessary to run the plant, which has further delayed the completion into 2004. Other parts of the project are complete. Two 500,000-gallon clear wells to store finished water before it is pumped into the distribution system are complete. The 30-inch water transmission main to deliver water from the plant to the existing City distribution system is complete. The 16-inch force main constructed to pump reject water South Water Plant to the City's sewerage collection system is also complete. The City is funding the work through a low interest Water Supply Revolving Loan Account from the Ohio Environmental Protection Agency (OEPA)

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

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 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 received OEPA's review comments in 2003. As a result, the City will need to rewrite portions of the plan and submit it by March 1, 2005.

Another area of study for the City resulting from the 1987 amendment to the Clean Water Act pertains to storm water controls. The U.S. Environmental Protection Agency (US EPA) issued Phase 11 regulations in December 1999 that may require the City to implement controls, programs and policies to control both the quantity and the quality of storm water runoff. To prepare for the regulations, the City formed a Technical Advisory Committee (TAC) to look at the possible implementation of the required Phase 11 minimum controls. The TAC identified possible funding mechanisms to fund the programs and improvements necessary to meet the six minimum control criteria under the Phase 11 regulations. The TAC also looked at other storm water related infrastructure needs of the City. The TAC prepared several policies that were subsequently reviewed by a Citizen's Advisory Committee in 2003. The final report incorporated the CAC's concerns and it was sent to City Council. In 2003, City Council passed legislation to establish a storm water utility in the City, and to establish rates and credits for that utility. In late 2003, a storm water coordinator was named, and the delegation of storm water tasks among different City departments had been formalized by the City Administration. The collection of storm water fees is to begin during the first billing cycle of 2004, giving the City dedicated source of funding for its storm water needs.

Three neighborhood improvement projects utilizing Community Development Block Grant (CDBG) funds were in various stages of development at year's end. Construction on the Champion Fairfield Upgrade Project, Phase 2 was completed in 2003. 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 elevation 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. Work on the pump station was completed in 2003. Some storm sewer installation still remains, and remaining funds were being evaluated to determine if they were sufficient to do the remaining storm sewer work.

CITY OF LANCASTER, OHIO

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For the Year Ended December 31, 2003

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 2004. 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. Bids were taken and a contract let to construct this project in 2003. In the City's long-term plans, the Pleasant Run Sanitary Trunk Sewer will connect to the East Main Sanitary Trunk Sewer just west of Pleasant Run and follow Pleasant Run upstream to provide sanitary sewer service to this tributary area. Under this project, the initial phase of the trunk sewer was constructed from the East Main Street trunk sewer to the north side of East Main Street just east of the Lynwood Lane intersection. It provides this four-lane section of East Main Street with sanitary sewer, and should enhance future development along this major street.

The second part of the project begins at the present terminus of the Pleasant Run trunk sewer. Sanitary sewer construction began in 2003 on Lynwood Lane to serve the Rae High Acres Subdivision. This subdivision was developed in the County without sanitary sewer prior to its annexation in 1966. The underlying soil conditions in the area are not conducive to septage leach fields, and many of the on-lot septage systems have failed. A seasonal high-water table in the spring results in raw sewage in the area's roadside ditches. Discussions of extending sanitary sewer into the area have occurred since the late 1970's, but a funding source was never determined. With the grant monies and monies in the Water Pollution Control Fund, a funding source to construct the sewers was secured to allow this project to be constructed. Approximately eighty percent of the sanitary sewer was installed and accepted at year's end. House connections to the completed section were being made in late 2003. The remaining sewer will be completed by mid 2004.

The City did not receive a Round 16 State Capital Improvement Program (SCIP) grant from the Ohio Public Works Commission (OPWC) for construction during the 2003 construction year. OPWC notified the City it will not receive a SCIP Round 17 grant for infrastructure improvements for 2004. In 2003, the City submitted two SCIP Round 18 grant applications to fund construction projects in 2005. 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 2005 Culvert Replacement Program was submitted as the City's priority two project. This project will replace two functionally obsolete and hydraulically deficient culverts in the City. On Both projects the City's participation was increased from earlier submittals to enhance the City's possibility of receiving a grant. The City is awaiting a grant determination from OPWC at year's end.

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

In 2000, City Council reassigned environmental personnel in the Divisions of Water and Sanitation to the Department of Engineering. Personnel in each division were initially dedicated to single projects, that of Wellhead Protection in the Division of Water and that of landfill monitoring in the Division of Sanitation. Combining these efforts in the Department of Engineering allows for environmental services to be more widely used by all City departments. As a result, several environmentally oriented projects are underway.

One major environmental project with economic development emphasis was the U.S. Environmental Protection Agency funded Brownfield Pilot Assessment Grant on two industrial properties along South Ewing Street. Initially two properties were to be assessed for redevelopment, but due to budget constraints, only the former Anchor Hocking Plant 2 site was assessed. Both Phase 1 and 2 Environmental Site Assessments were completed for the site. A work plan outlining cleanup costs for the site under the Ohio Voluntary Action Program was completed in 2003 that will facilitate the redevelopment of this site.

Following the assessment, the City applied for Clean Ohio Funding in 2003. In late 2003, the City received a grant from the Clean Ohio fund for \$2,837,448 for the cleanup and redevelopment of the site. A consulting engineer is in the process of preparing documents to bid this project during 2004.

A grant was also obtained to perform another environmental project in the City. The Ohio Public Works Commission (OPWC) awarded the City \$271,875 for the Baldwin Run Stream Restoration Project. The improvements to be made under the grant will restore and stabilize the Baldwin Run stream corridor to improve water quality, minimize erosion and enhance a proposed recreational trail. This project will help to restore the natural stream channel, restore habitat for fish and biological communities, and enhance the natural greenway and promote recreational activities and public access. This restoration project extends from the East Main Street Kroger Center's parking area to Baldwin Run's confluence with the Hocking River. At year's end, City personnel were evaluating proposals to select a firm to design and build the project improvements. Construction is expected to commence in 2004.

Another environmental project is currently being studied. The U.S. Army Corps of Engineers approached the City concerning the development of a wetland area along the Hocking River. The project will provide both flood mitigation and wildlife enhancement for the City and downstream communities. The City has been asked to secure property rights for a potential wetland site the Corp identified along the river at Sugar Grove Road. The proposed site provides additional benefit to the City in that its location opposite of City's Water pollution Control Facility will create a buffer zone to that facility. The City is negotiating with the property owner to purchase the property, and the Corp is waiting project funding at year's end.

As a result of the September 11, 2001 terrorist attacks, the U.S. Congress passed the Public Health and Bioterrorism and Response Act of 2002. The act provides that "each community water system serving a population greater than 3,300 persons shall conduct an assessment of the vulnerability of its system to a terrorist attack or other intentional acts intended to substantially disrupt the ability of the system to provide a safe and reliable supply of drinking water." The City has selected a consulting engineering firm to conduct the assessment, and is in the process of negotiating a contract at year's end. The assessment is due to the U.S. Environmental Protection Agency no later than June 30, 2004.

Lancaster Parks and Recreation

Parks and Recreation activities continue to provide beneficial experiences for families of Lancaster. Special events designed with the entire family in mind continue to be the most popular leisure activity that we provide.

The first phase of the Hike and Bike Trail was completed. This paved trail begins at College Avenue near OUL and continues south along Fetters Run and will connect schools, parks and neighborhoods throughout the city. Funding was made available through grants from ODNR, Fairfield County Foundation, Columbus Foundation, Fairfield Medical Center, and the State of Ohio. The cooperative efforts of Lancaster Parks and Recreation and Lancaster City Street Department provided the expertise and labor for the construction.

Fundraising efforts by the Friends of the Parks have raised nearly \$25,000 for the restoration of a log house to be located in Alley Park. Material lists are being gathered and cost estimates are being formulated. Hopefully this project can begin in late 2004 and be a welcome addition to the park.

Nature and environmental education programs at Alley Park remain popular and have been enhanced with the improvements made in the lower level of the Goslin Nature Education Center. The Nature Center is staffed by an enthusiastic and qualified group of individuals providing a variety of activities throughout the year.

The cooperative effort between Lancaster Parks and Recreation and Fairfield Medical Center continues to enhance the programs at Olivedale Senior Center. Our membership is growing.

Lancaster Parks and Recreation is funded through a voter-approved income tax for the purpose of operating, maintaining, repairing and providing capital facilities for park and recreational activities. Funding is secured through the end of 2007. 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.

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

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 capital asset accounting and payroll. These systems, coupled with the review and examination performed by the City Auditor's Office, ensure that the financial information generated is both accurate and reliable.

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

Cash Management

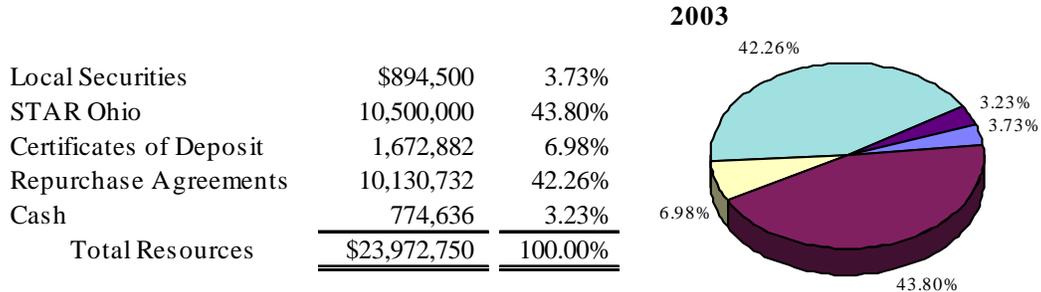
Cash management is a vital component of the City of Lancaster's overall financial strategy. The primary objective of the City's investment activity is the preservation of capital and the protection of invested principal. The City pools its cash for maximum investing efficiency, except for the cash held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

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

CITY OF LANCASTER, OHIO

**Letter of Transmittal
For the Year Ended December 31, 2003**

The City's cash resources were invested at December 31, 2003 as follows:



The City earned interest of \$395,519 on investments for fiscal year 2003. 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, 2003, the City had deposits of \$2,617,416 which were collateralized by pooled collateral. The Ohio Revised Code provides for the establishment of collateral pools by financial institutions designed to safeguard public deposits. The face value of the pooled collateral must equal at least 105 percent of the public funds on deposit with the financial institution. The collateral is held by the financial institution. Since the collateral is held as a pool rather than in the name of the City, the deposits protected by the pool are classified as Category 3 (see Note 4 of the financial statements). All deposits are made under contracts with local banking institutions pursuant to statute.

Risk Management

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

OTHER INFORMATION

Independent Audit

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

CITY OF LANCASTER, OHIO

Letter of Transmittal

For the Year Ended December 31, 2003

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, 2002. This was the seventeenth 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.

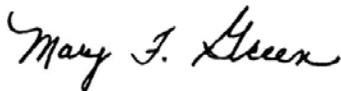
Public Disclosure

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,



Mary F. Green
City Auditor

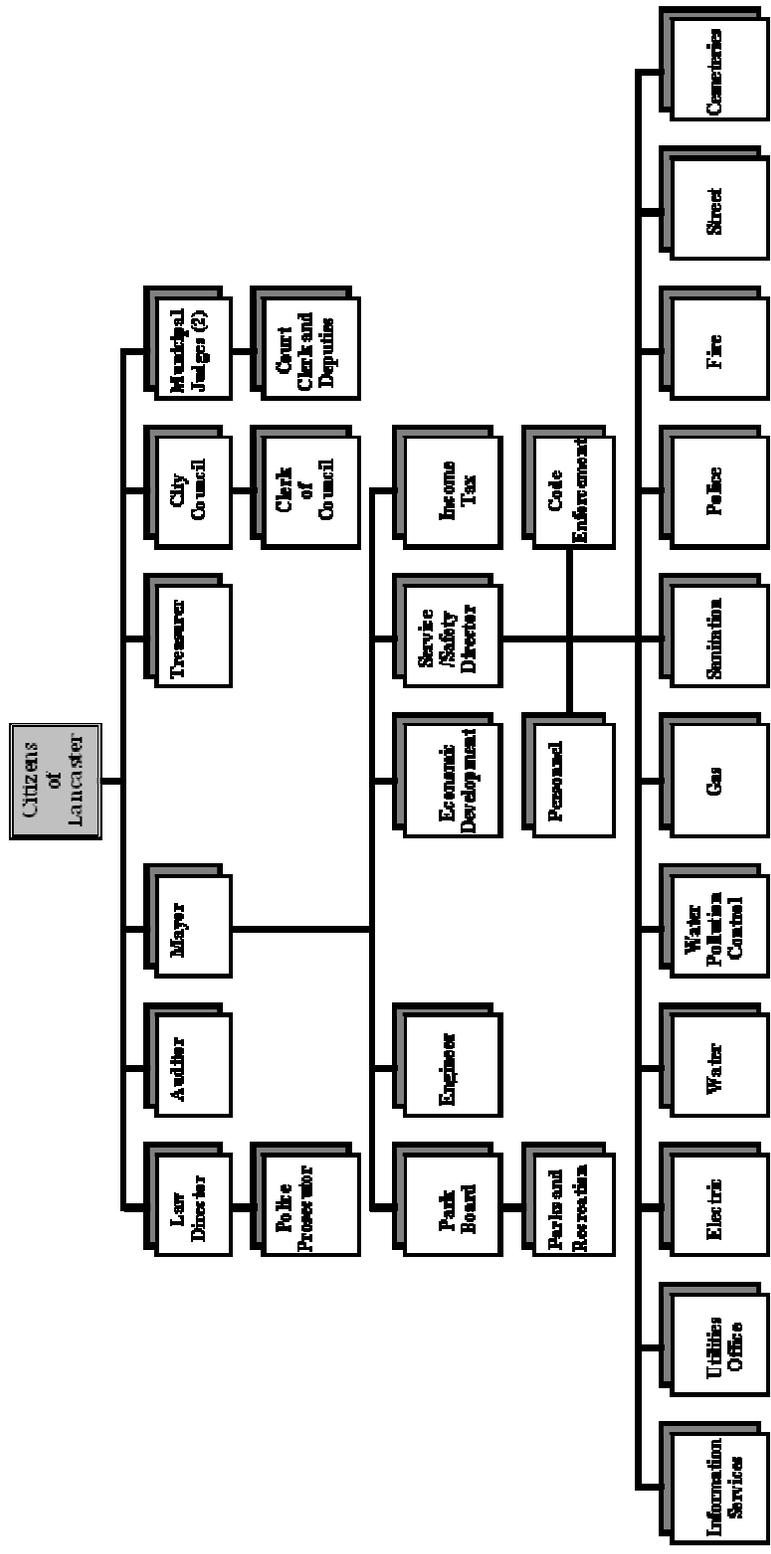
CITY OF LANCASTER, OHIO

**List of Principal Officials
For the Year Ended December 31, 2003**

<u>Name</u>	<u>Title</u>
<i>Executive Officials</i>	
Arthur M. Wallace	Mayor
Mary F. Green	Auditor
Terre Vandervoort	Law Director
Jack Rupe	Treasurer
<i>Legislative Officials</i>	
Steve Davis	President of Council
Roger Morgan	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
<i>Administrative Officials</i>	
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

City Organizational Chart
For the Year Ended December 31, 2003



Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Lancaster,
Ohio

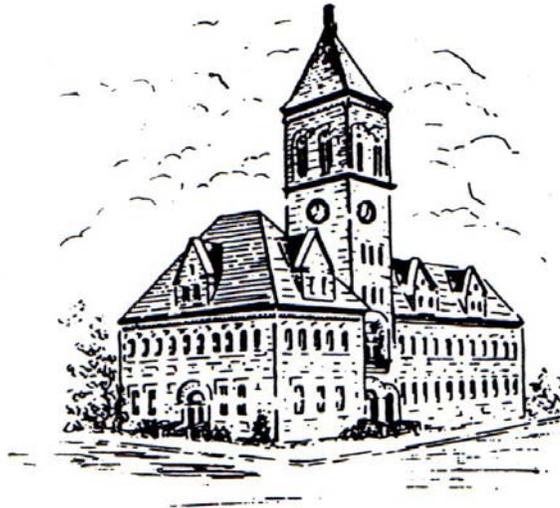
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

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

To the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster, Fairfield County, Ohio, (the City) as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster, Fairfield County, Ohio, as of June 30, 2003, and the respective changes in financial position and cash flows, where applicable, and the budgetary comparison for the General fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully discussed in Note 2 in the basic financial statements, the net assets for the Enterprise Gas and Storm Water Funds were restated as of January 1, 2003 to correct errors in inventory and infrastructure capital assets based on a physical inventory and revaluation, respectively. As also described in Note 2, during the year ended December 31, 2003, the City implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments*.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2004, 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.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information the Governmental Accounting Standards Board requires. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to form opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund statements and schedules and statistical tables are presented for additional analysis and are not a required part of the basic financial statements. We subjected the combining and individual fund statements and schedules to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

We did not subject the introductory section and statistical tables to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

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

Betty Montgomery
Auditor of State

August 20, 2004

The discussion and analysis of the City of Lancaster's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2003. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2003 are as follows:

- ❑ In total, net assets increased \$2,281,990. Net assets of governmental activities decreased \$265,051 which represents a 0.9% decrease from 2002. Net assets of business-type activities increased \$2,547,041 or 6.2% from 2002.
- ❑ General revenues accounted for \$20,100,630 in revenue or 31.0% of all revenues. Program specific revenues in the form of charges for services, and grants and contributions accounted for \$44,708,468, 69.0% of total revenues of \$64,809,098.
- ❑ The City had \$27,441,332 in expenses related to governmental activities; only \$6,767,909 of these expenses were offset by program specific charges for services, grants or contributions. General revenues and transfers of \$20,408,372 were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$19,269,869 in revenues and other financing sources and \$19,947,384 in expenditures and other financing uses. The general fund's fund balance decreased from \$4,282,329 to \$3,606,622.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

This is the first year for government-wide financial statements using the full accrual basis of accounting, therefore a comparison with prior year's information is not available. A comparative analysis will be provided in future years when prior year's information is available.

	Governmental Activities	Business-type Activities	Total
	2003	2003	2003
Current and other assets	\$17,971,791	\$27,435,488	\$45,407,279
Capital assets, Net	27,596,778	74,285,886	101,882,664
Total assets	45,568,569	101,721,374	147,289,943
Long-term debt outstanding	9,827,495	54,005,810	63,833,305
Other liabilities	5,386,703	3,848,087	9,234,790
Total liabilities	15,214,198	57,853,897	73,068,095
Net assets			
Invested in capital assets, net of related debt	20,219,881	27,922,328	48,142,209
Restricted	6,450,635	0	6,450,635
Unrestricted	3,683,855	15,945,149	19,629,004
Total net assets	\$30,354,371	\$43,867,477	\$74,221,848

CITY OF LANCASTER, OHIO**Management's Discussion and Analysis
For the Year Ended December 31, 2003****Unaudited**

Changes in Net Assets – The following table shows the changes in net assets for the fiscal year 2003:

	Governmental Activities	Business-type Activities	Total
	2003	2003	2003
Revenues			
Program revenues:			
Charges for Services and Sales	\$3,122,836	\$36,696,035	\$39,818,871
Operating Grants and Contributions	3,645,073	0	3,645,073
Capital Grants and Contributions	0	1,244,524	1,244,524
General revenues:			
Property Taxes	2,083,806	0	2,083,806
Income Taxes	13,234,650	0	13,234,650
Other Local Taxes	788,704	0	788,704
Shared Revenues	2,615,769	0	2,615,769
Contributions not restricted to Specific Programs	870,520	0	870,520
Investment Earnings	322,878	0	322,878
Miscellaneous	184,303	0	184,303
Total revenues	<u>26,868,539</u>	<u>37,940,559</u>	<u>64,809,098</u>
Program Expenses			
Security of Persons and Property	13,728,378	0	13,728,378
Public Health and Welfare Services	881,427	0	881,427
Leisure Time Activities	1,773,654	0	1,773,654
Community Environment	833,665	0	833,665
Transportation	3,871,092	0	3,871,092
General Government	6,143,687	0	6,143,687
Debt Service:			
Interest and Fiscal Charges	209,429	0	209,429
Gas	0	19,558,945	19,558,945
Water	0	6,211,390	6,211,390
Sewer	0	6,325,948	6,325,948
Storm Water	0	2,932,207	2,932,207
Solid Waste	0	57,286	57,286
Total expenses	<u>27,441,332</u>	<u>35,085,776</u>	<u>62,527,108</u>
Change in Net Assets before transfers	(572,793)	2,854,783	2,281,990
Transfers	307,742	(307,742)	0
Total Change in Net Assets	<u>(265,051)</u>	<u>2,547,041</u>	<u>2,281,990</u>
Beginning Net Assets	<u>30,619,422</u>	<u>41,320,436</u>	<u>71,939,858</u>
Ending Net Assets	<u>\$30,354,371</u>	<u>\$43,867,477</u>	<u>\$74,221,848</u>

Governmental Activities

Net assets of the City's governmental activities decreased by \$265,051. The decrease in net assets is a result of increases in salaries, wages and the cost of fringe benefits which were only partially offset by increased revenue.

The City receives an income tax, which is based on 1.6% of all salaries, wages, commissions and other compensation and on net profits earned from those working in the City.

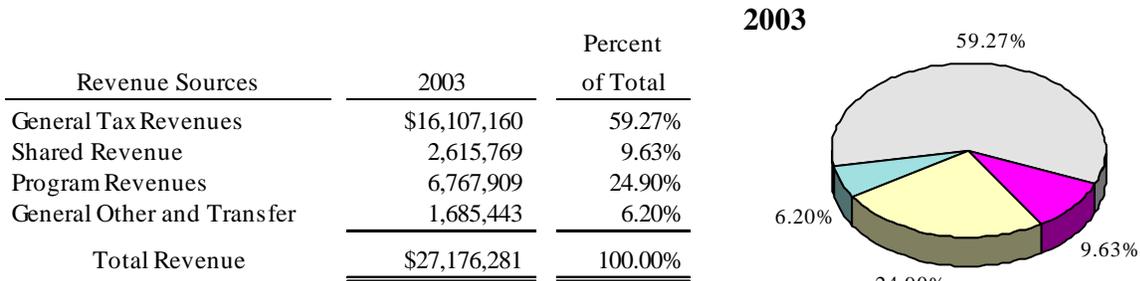
CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2003**

Unaudited

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

Income taxes and property taxes made up 48.7% and 7.7% respectively of revenues for governmental activities for the City in fiscal year 2003. The City's reliance upon tax revenues is demonstrated by the following graph indicating 59.27% of total revenues from general tax revenues:



Business-Type Activities

Net assets of the business type activities increased by \$2,547,041. This increase was primarily the result of increased demand for gas.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$8,519,941, which is a decrease from last year's balance of \$9,439,589. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2003 and 2002:

	Fund Balance December 31, 2003	Fund Balance December 31, 2002	Increase (Decrease)
General	\$3,606,622	\$4,282,329	(\$675,707)
Other Governmental	4,913,319	5,157,260	(243,941)
Total	\$8,519,941	\$9,439,589	(\$919,648)

CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2003**

Unaudited

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

	2003	2002	Increase
	Revenues	Revenues	(Decrease)
Property and Other Taxes	\$13,512,505	\$12,813,355	\$699,150
Intergovernmental Revenue	2,689,746	2,834,865	(145,119)
Charges for Services	1,704,447	1,284,855	419,592
Licenses and Permits	24,357	18,444	5,913
Investment Earnings	305,571	443,553	(137,982)
Fines and Forfeitures	870,120	868,020	2,100
All Other Revenue	163,123	243,066	(79,943)
Total	<u>\$19,269,869</u>	<u>\$18,506,158</u>	<u>\$763,711</u>

General Fund revenues in 2003 increased approximately 4% compared to revenues in fiscal year 2002. The \$.7 million increase in tax revenues is the result of an expanding tax base, both property and income. Another significant factor contributing to this increase was the increase in cable franchise fees of \$300,000. Offsetting the increases was a decrease in interest rates earned on investments.

	2003	2002	Increase
	Expenditures	Expenditures	(Decrease)
Security of Persons and Property	\$12,366,330	\$12,056,717	\$309,613
Public Health and Welfare Services	223,568	245,068	(21,500)
Leisure Time Activities	0	7,322	(7,322)
Community Environment	160,297	84,199	76,098
General Government	5,641,952	4,963,811	678,141
Total	<u>\$18,392,147</u>	<u>\$17,357,117</u>	<u>\$1,035,030</u>

General Fund expenditures increased by \$1,035,030 or 5.96% compared to the prior year primarily due to increased salaries and wages as well as a large increase in the workers' compensation premium paid to the State. General government expenditures also included a new employee in the engineering department and additional acting judges in the municipal court.

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

During the course of fiscal year 2003 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$21,215,244 increased by approximately \$900,000 over the original budget estimates of \$20,296,610 as a result of advances being repaid from the proprietary funds.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2003 the City had \$101,882,664 net of accumulated depreciation invested in buildings, equipment and vehicles. Of this total, \$27,596,778 was related to governmental activities and \$74,285,886 to the business-type activities. The following table shows fiscal year 2003 and 2002 balances:

	Governmental Activities		Increase (Decrease)
	2003	2002	
Land	\$11,186,168	\$10,878,426	\$307,742
Buildings	6,139,739	6,216,439	(76,700)
Improvements Other than Buildings	5,575,717	4,757,980	817,737
Infrastructure	11,547,341	10,691,331	856,010
Vehicles	4,510,943	4,475,030	35,913
Machinery and Equipment	4,402,112	4,319,548	82,564
Construction In Progress	1,373,726	209,649	1,164,077
Less: Accumulated Depreciation	(17,138,968)	(16,398,795)	(740,173)
Totals	\$27,596,778	\$25,149,608	\$2,447,170

The primary increases occurred in improvements other than buildings, infrastructure and construction in progress, which included a combination of improvements to City buildings, streets donated by developers, and projects the City is constructing.

	Business-Type Activities		Increase (Decrease)
	2003	2002	
Land	\$793,234	\$1,114,876	(\$321,642)
Buildings	13,676,460	13,676,460	0
Improvements	31,770,709	31,452,121	318,588
Infrastructure	35,292,550	33,412,827	1,879,723
Vehicles	3,104,015	2,985,707	118,308
Machinery and Equipment	7,087,927	6,598,927	489,000
Construction in Progress	28,170,175	20,388,101	7,782,074
Less: Accumulated Depreciation	(45,609,184)	(42,276,403)	(3,332,781)
Totals	\$74,285,886	\$67,352,616	\$6,933,270

Business type capital assets increased by \$6,933,270. The additions to infrastructure include gas, water, and sanitary sewer lines and storm drainage systems. The construction in progress additions include the water plant as well as infrastructure in progress. Additional information on the City's capital assets can be found in Note 9.

CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2003**

Unaudited

Debt

At December 31, 2003, the City had \$49,881,940 in Ohio Water Development Authority Loans outstanding, \$4,434,325 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Governmental Activities:		
Special Assessment Bond		
with Government Commitment	\$344,500	\$356,000
Long Term Note Payable	2,260,000	425,000
Housing and Urban Development Loan	1,210,000	1,300,000
Ohio Public Works Commission Loan	106,506	115,635
Ohio Water Development Authority Loan	2,000,000	2,000,000
Compensated Absences	3,080,282	2,021,242
Capital Leases	826,207	1,041,334
Total Governmental Activities	<u>\$9,827,495</u>	<u>\$7,259,211</u>
Business-Type Activities:		
Ohio Water Development Authority Loans	\$47,881,940	\$46,932,034
Long Term Note Payable	2,200,000	0
Landfill Postclosure Care Liability	2,131,343	2,179,602
Capital Leases	15,537	41,256
Compensated Absences	1,776,990	985,685
Total Business-Type Activities	<u>\$54,005,810</u>	<u>\$50,138,577</u>
Totals	<u><u>\$63,833,305</u></u>	<u><u>\$57,397,788</u></u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2003, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

ECONOMIC FACTORS

With its diversified service oriented economy, Lancaster is somewhat insulated from relative volatile economic fluctuations experienced throughout the rest of the U. S. and state economies. While unemployment for the United States rose to 6.0 percent and that of the state to 5.9 percent, the unemployment rate for Central Ohio rose to only 4.7 percent. During the uncertain economic times of 2003, the City's Administration and Council worked diligently to maintain the City's financial integrity.

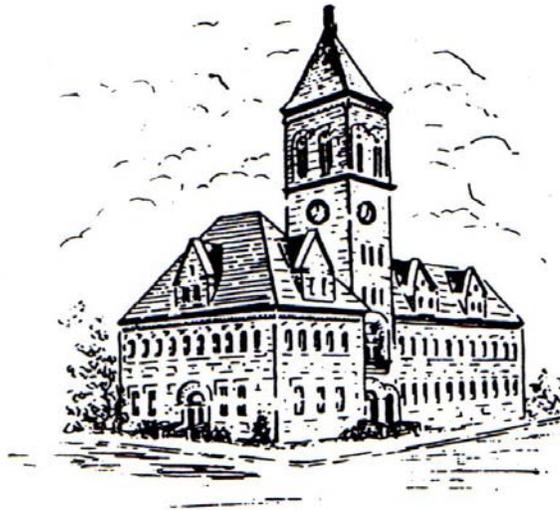
Through a concerted effort of the City's Administration and the Council, work on installing infrastructure necessary to serve the Rock Mill Corporate Park to attract new businesses and industries continued strong in 2003. Efforts to develop the industrial park began in the late 1980's on Phase 1. With annexation of additional land for an extension of the industrial park, the City began intensive planning to provide the necessary infrastructure improvements for Phase 2. Phase 2 Part 1 improvements to create additional industrial/business sites along a southerly extension of Mill Park Drive to State Route 188 were underway in 2003. The proximity of the SR 188/US 33 Lancaster Bypass interchange to this street extension should enhance the park attractiveness for new industries when the Bypass opens in 2005. Further efforts are underway now to serve the SR 188/US 33 interchange to also have those infrastructure improvements in place by 2005.

The City was working with two national "big box" retailers and several smaller retailers and national restaurant chains to locate near the northwest Memorial Drive commercial corridor. This will further cement the City's role as a regional commercial center to "cut-off" consumers traveling to Columbus for shopping.

Given no growth in revenue during 2003 and with the uncertainty as to when, if ever, rapid growth may commence, the Administration of the City developed a budget with no increase in operating expenses and a 4% increase in personnel expenses. Since the Capital Improvement Fund was receiving no additional resources, only a limited street program and other capital improvement projects are on the docket for 2004.

REQUESTS FOR INFORMATION

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



CITY OF LANCASTER, OHIO

**Statement of Net Assets
December 31, 2003**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 5,469,095	\$ 15,006,641	\$ 20,475,736
Investments	1,831,514	0	1,831,514
Receivables:			
Taxes	4,339,464	0	4,339,464
Accounts	287,538	6,326,383	6,613,921
Intergovernmental	2,927,369	0	2,927,369
Interest	26,328	4,920	31,248
Special Assessments	684,519	0	684,519
Loans	1,287,696	0	1,287,696
Internal Balances	(30,776)	30,776	0
Inventory of Supplies at Cost	463,639	4,578,740	5,042,379
Prepaid Items	576,096	37,547	613,643
Restricted Assets:			
Cash and Cash Equivalents	101,129	998,753	1,099,882
Cash and Cash Equivalents with Fiscal Agent	8,180	0	8,180
Investments	0	451,728	451,728
Capital Assets Not Being Depreciated	12,559,894	28,963,409	41,523,303
Capital Assets Being Depreciated, Net	15,036,884	45,322,477	60,359,361
Total Assets	45,568,569	101,721,374	147,289,943
Liabilities:			
Accounts Payable	419,992	2,335,730	2,755,722
Accrued Wages and Benefits	1,464,679	478,272	1,942,951
Intergovernmental Payable	32,127	14,378	46,505
Claims Payable	413,637	0	413,637
Retainage Payable	101,129	753,771	854,900
Due to Others	0	244,982	244,982
Deferred Revenue	1,978,900	0	1,978,900
Accrued Interest Payable	51,239	20,954	72,193
General Obligation Notes Payable	925,000	0	925,000
Long Term Liabilities:			
Due within one year	3,243,570	2,860,392	6,103,962
Due in more than one year	6,583,925	51,145,418	57,729,343
Total Liabilities	15,214,198	57,853,897	73,068,095
Net Assets:			
Invested in Capital Assets, Net of Related Debt	20,219,881	27,922,328	48,142,209
Restricted For:			
Capital Projects	1,197,908	0	1,197,908
Debt Service	719,133	0	719,133
Perpetual Care, Nonexpendable	743,364	0	743,364
Other Purposes	3,790,230	0	3,790,230
Unrestricted (Deficit)	3,683,855	15,945,149	19,629,004
Total Net Assets	\$ 30,354,371	\$ 43,867,477	\$ 74,221,848

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Activities
For the Year Ended December 31, 2003**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 13,728,378	\$ 2,033,168	\$ 218,927	\$ 0
Public Health and Welfare Services	881,427	191,105	41,925	0
Leisure Time Activities	1,773,654	326,109	160,000	0
Community Environment	833,665	0	836,474	0
Transportation	3,871,092	160,055	2,109,023	0
General Government	6,143,687	412,399	278,724	0
Interest and Fiscal Charges	209,429	0	0	0
Total Governmental Activities	27,441,332	3,122,836	3,645,073	0
Business-Type Activities:				
Gas	19,558,945	20,331,249	0	0
Water	6,211,390	6,854,809	0	294,341
Water Pollution	6,325,948	6,433,722	0	476,004
Sanitation	2,932,207	3,004,224	0	0
Storm Water	57,286	72,031	0	474,179
Total Business-Type Activities	35,085,776	36,696,035	0	1,244,524
Totals	\$ 62,527,108	\$ 39,818,871	\$ 3,645,073	\$ 1,244,524

General Revenues

Property Taxes Levied for:

General Purposes

Special Purposes

Income Tax

Other Local Taxes

Shared Revenue

Contributions not Restricted to Specific Programs

Investment Earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Assets

Restated Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Net (Expense) Revenue
and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (11,476,283)	\$ 0	\$ (11,476,283)
(648,397)	0	(648,397)
(1,287,545)	0	(1,287,545)
2,809	0	2,809
(1,602,014)	0	(1,602,014)
(5,452,564)	0	(5,452,564)
(209,429)	0	(209,429)
<u>(20,673,423)</u>	<u>0</u>	<u>(20,673,423)</u>
0	772,304	772,304
0	937,760	937,760
0	583,778	583,778
0	72,017	72,017
0	488,924	488,924
<u>0</u>	<u>2,854,783</u>	<u>2,854,783</u>
<u>\$ (20,673,423)</u>	<u>\$ 2,854,783</u>	<u>\$ (17,818,640)</u>
1,717,151	0	1,717,151
366,655	0	366,655
13,234,650	0	13,234,650
788,704	0	788,704
2,615,769	0	2,615,769
870,520	0	870,520
322,878	0	322,878
184,303	0	184,303
307,742	(307,742)	0
<u>20,408,372</u>	<u>(307,742)</u>	<u>20,100,630</u>
(265,051)	2,547,041	2,281,990
<u>30,619,422</u>	<u>41,320,436</u>	<u>71,939,858</u>
<u>\$ 30,354,371</u>	<u>\$ 43,867,477</u>	<u>\$ 74,221,848</u>

CITY OF LANCASTER, OHIO

**Balance Sheet
Governmental Funds
December 31, 2003**

	General	Other Governmental Funds	Total Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 1,843,155	\$ 3,253,133	\$ 5,096,288
Investments	894,500	937,014	1,831,514
Receivables:			
Taxes	3,700,738	638,726	4,339,464
Accounts	237,299	48,489	285,788
Intergovernmental	1,481,826	1,445,543	2,927,369
Interest	20,934	5,394	26,328
Special Assessments	0	684,519	684,519
Loans	0	1,287,696	1,287,696
Due from Other Funds	22,755	0	22,755
Inventory of Supplies, at Cost	147,137	166,221	313,358
Prepaid Items	59,718	12,122	71,840
Restricted Assets:			
Cash and Cash Equivalents	0	101,129	101,129
Cash and Cash Equivalents with Fiscal Agent	8,180	0	8,180
Total Assets	\$ 8,416,242	\$ 8,579,986	\$ 16,996,228
Liabilities:			
Accounts Payable	\$ 248,105	\$ 164,272	\$ 412,377
Accrued Wages and Benefits Payable	1,161,696	260,779	1,422,475
Intergovernmental Payable	31,857	270	32,127
Retainage Payable	0	101,129	101,129
Deferred Revenue	3,367,962	2,200,629	5,568,591
Accrued Interest Payable	0	14,588	14,588
General Obligation Notes Payable	0	925,000	925,000
Total Liabilities	4,809,620	3,666,667	8,476,287
Fund Balances:			
Reserved for Encumbrances	109,004	41,840	150,844
Reserved for Prepaid Items	59,718	12,122	71,840
Reserved for Supplies Inventory	147,137	166,221	313,358
Reserved for Debt Service	0	71,265	71,265
Reserved for Loans Receivable	0	1,287,696	1,287,696
Reserved for Endowments	0	743,364	743,364
Unreserved, Undesignated in:			
General Fund	3,290,763	0	3,290,763
Special Revenue Funds	0	2,333,595	2,333,595
Capital Projects Funds	0	257,216	257,216
Total Fund Balances	3,606,622	4,913,319	8,519,941
Total Liabilities and Funds Balances	\$ 8,416,242	\$ 8,579,986	\$ 16,996,228

See accompanying notes to the basic financial statements

***Reconciliation Of Total Governmental Fund Balances
To Net Assets Of Governmental Activities
December 31, 2003***

Total Governmental Fund Balances \$ 8,519,941

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

Capital Assets used in governmental activities are not
resources and therefore are not reported in the funds. 27,160,356

Other long-term assets are not available to pay for current-
period expenditures and therefore are deferred in the funds. 3,589,691

Internal Service Funds are used by management to charge the costs of
insurance, information services and electrical services to individual
funds. The assets and liabilities of the internal service funds are
included in governmental activities in the statement of net assets. 819,182

Long-term liabilities, including bonds payable, are not due
and payable in the current period and therefore are not
reported in the funds.

Housing and Urban Development Loan Payable	(1,210,000)	
Special Assessment Bonds Payable	(344,500)	
Ohio Public Works Commission Loans Payable	(106,506)	
Ohio Water Development Authority Loans Payable	(2,000,000)	
Long Term Notes Payable	(2,260,000)	
Capital Leases Payable	(824,116)	
Compensated Absences Payable	(2,953,026)	
Accrued Interest Payable	(36,651)	
		<u>(9,734,799)</u>

Net Assets of Governmental Activities \$ 30,354,371

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2003**

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 13,512,505	\$ 1,805,119	\$ 15,317,624
Intergovernmental Revenues	2,689,746	3,320,497	6,010,243
Charges for Services	1,704,447	648,802	2,353,249
Licenses, Permits and Fees	24,357	810	25,167
Investment Earnings	305,571	71,304	376,875
Special Assessments	0	41,006	41,006
Fines and Forfeitures	870,120	439,388	1,309,508
All Other Revenue	163,123	54,831	217,954
Total Revenue	19,269,869	6,381,757	25,651,626
Expenditures:			
Current:			
Security of Persons and Property	12,366,330	673,517	13,039,847
Public Health and Welfare	223,568	601,104	824,672
Leisure Time Activities	0	1,598,290	1,598,290
Community Environment	160,297	658,240	818,537
Transportation	0	3,603,691	3,603,691
General Government	5,641,952	149,673	5,791,625
Capital Outlay	0	2,461,374	2,461,374
Debt Service:			
Principal Retirement	0	535,629	535,629
Interest and Fiscal Charges	0	172,778	172,778
Total Expenditures	18,392,147	10,454,296	28,846,443
Excess (Deficiency) of Revenues Over Expenditures	877,722	(4,072,539)	(3,194,817)
Other Financing Sources (Uses):			
General Obligation Notes Issued	0	2,260,000	2,260,000
Transfers In	0	1,555,237	1,555,237
Transfers Out	(1,555,237)	0	(1,555,237)
Total Other Financing Sources (Uses)	(1,555,237)	3,815,237	2,260,000
Net Change in Fund Balances	(677,515)	(257,302)	(934,817)
Fund Balances at Beginning of Year	4,282,329	5,157,260	9,439,589
Increase (Decrease) in Inventory Reserve	1,808	13,361	15,169
Fund Balances End of Year	\$ 3,606,622	\$ 4,913,319	\$ 8,519,941

See accompanying notes to the basic financial statements

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2003***

Net Change in Fund Balances - Total Governmental Funds \$ (934,817)

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

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

Capital Outlay	2,529,495	
Depreciation Expense	<u>(1,082,806)</u>	1,446,689

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

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	1,178,262	
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The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.	<u>(82,235)</u>	1,096,027
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		346,393
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The issuance of long-term debt (e.g. notes, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Long Term Notes Payable Issued		(2,260,000)
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Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Housing and Urban Development Loan Payable	90,000	
Special Assessment Bonds Payable	11,500	
Ohio Public Works Commission Loans Payable	9,129	
Long Term Notes Payable	425,000	
Capital Leases Payable	<u>214,495</u>	750,124

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(36,651)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

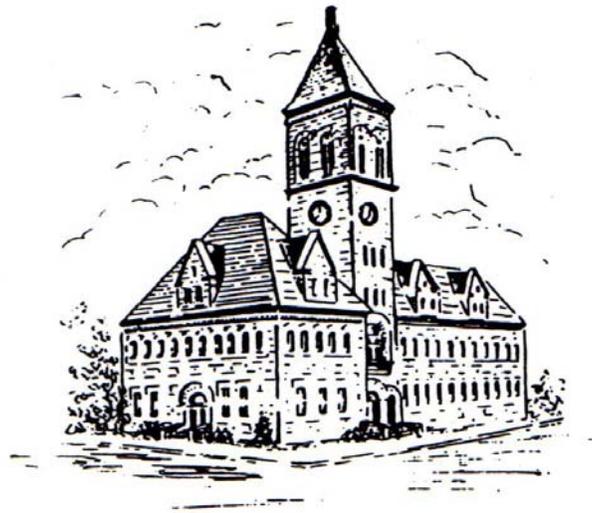
Compensated Absences	(997,218)	
Change in Inventory	<u>15,169</u>	(982,049)

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

309,233

<i>Change in Net Assets of Governmental Activities</i>	<u><u>\$ (265,051)</u></u>
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See accompanying notes to the basic financial statements



CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 13,751,630	\$ 13,757,911	\$ 13,528,536	\$ (229,375)
Intergovernmental Revenue	2,889,579	3,040,077	2,919,485	(120,592)
Charges for Services	1,309,800	1,612,776	1,586,526	(26,250)
Licenses, Permits and Fees	12,500	22,567	22,907	340
Investment Earnings	596,300	325,000	313,504	(11,496)
Fines and Forfeitures	857,901	857,901	872,262	14,361
All Other Revenues	250,900	172,758	164,167	(8,591)
Total Revenues	<u>19,668,610</u>	<u>19,788,990</u>	<u>19,407,387</u>	<u>(381,603)</u>
Expenditures:				
Current:				
Security of Persons and Property	13,249,511	13,045,931	12,540,658	505,273
Public Health and Welfare Services	208,500	224,068	223,568	500
Community Environment	195,189	199,204	170,942	28,262
General Government	6,455,495	6,663,135	6,193,964	469,171
Total Expenditures	<u>20,108,695</u>	<u>20,132,338</u>	<u>19,129,132</u>	<u>1,003,206</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(440,085)	(343,348)	278,255	621,603
Other Financing Sources (Uses):				
Transfers In	628,000	595,924	555,925	(39,999)
Transfers Out	(1,593,712)	(1,588,662)	(1,588,662)	0
Advances In	0	830,330	830,330	0
Advances Out	0	(830,330)	(830,330)	0
Total Other Financing Sources (Uses):	<u>(965,712)</u>	<u>(992,738)</u>	<u>(1,032,737)</u>	<u>(39,999)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,405,797)	(1,336,086)	(754,482)	581,604
Fund Balance at Beginning of Year	2,810,395	2,810,395	2,810,395	0
Prior Year Encumbrances	340,144	340,144	340,144	0
Fund Balance at End of Year	<u>\$ 1,744,742</u>	<u>\$ 1,814,453</u>	<u>\$ 2,396,057</u>	<u>\$ 581,604</u>

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Net Assets
Proprietary Funds
December 31, 2003**

	Business-Type Activities - Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
ASSETS				
Current assets:				
Cash and Cash Equivalents	\$ 2,684,533	\$ 4,439,290	\$ 5,901,882	\$ 1,298,767
Accounts receivable (net of allowance for uncollectibles)	4,098,295	911,177	846,694	401,788
Interest receivable	0	0	0	4,920
Interfund Loans Receivable	0	0	640,330	0
Inventory of Supplies at Cost	3,805,669	685,077	25,293	28,671
Prepaid Items	13,367	11,362	9,410	2,893
Total current assets	<u>10,601,864</u>	<u>6,046,906</u>	<u>7,423,609</u>	<u>1,737,039</u>
Noncurrent assets:				
Restricted Assets:				
Cash and Cash Equivalents	208,623	712,835	77,295	0
Investments	0	0	0	451,728
Total restricted assets	<u>208,623</u>	<u>712,835</u>	<u>77,295</u>	<u>451,728</u>
Capital assets:				
Capital Assets Not Being Depreciated	547,901	24,934,050	2,811,255	105,120
Capital Assets Being Depreciated	5,493,072	12,577,158	23,476,516	1,465,231
Total capital assets (net of accumulated depr)	<u>6,040,973</u>	<u>37,511,208</u>	<u>26,287,771</u>	<u>1,570,351</u>
Total noncurrent assets	<u>6,249,596</u>	<u>38,224,043</u>	<u>26,365,066</u>	<u>2,022,079</u>
Total assets	<u>16,851,460</u>	<u>44,270,949</u>	<u>33,788,675</u>	<u>3,759,118</u>
LIABILITIES				
Current liabilities:				
Accounts Payable	1,779,800	221,835	179,340	76,936
Accrued Wages and Benefits	89,834	163,533	84,244	78,239
Intergovernmental Payable	0	4,028	10,350	0
Claims Payable	0	0	0	0
Retainage Payable	29,791	679,760	44,220	0
Due to Others	178,832	33,075	33,075	0
Due to Other Funds	0	0	0	22,755
Interfund Loans Payable	0	0	0	0
Accrued Interest Payable	0	0	20,954	0
Capital Leases Payable - Current	0	9,009	0	0
OWDA Loans Payable - Current	0	952,102	1,317,041	165,182
Total Current Liabilities	<u>2,078,257</u>	<u>2,063,342</u>	<u>1,689,224</u>	<u>343,112</u>
Noncurrent Liabilities:				
Capital Leases Payable	0	6,528	0	0
Long Term Notes Payable	0	0	2,200,000	0
OWDA Loans Payable	0	24,712,324	17,736,793	2,998,498
Landfill Postclosure Care Liability	0	0	0	2,131,343
Compensated Absences Payable	394,117	608,070	383,166	158,036
Total noncurrent liabilities	<u>394,117</u>	<u>25,326,922</u>	<u>20,319,959</u>	<u>5,287,877</u>
Total Liabilities	<u>2,472,374</u>	<u>27,390,264</u>	<u>22,009,183</u>	<u>5,630,989</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	6,040,973	11,831,245	5,604,176	1,570,351
Unrestricted	8,338,113	5,049,440	6,175,316	(3,442,222)
Total Net Assets	<u>\$ 14,379,086</u>	<u>\$ 16,880,685</u>	<u>\$ 11,779,492</u>	<u>\$ (1,871,871)</u>

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

Total Net Assets of Business Type Activities

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

<u>Storm Water</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 87,601	\$ 14,412,073	\$ 967,375
68,429	6,326,383	1,750
0	4,920	0
0	640,330	0
0	4,544,710	184,311
0	37,032	504,771
<u>156,030</u>	<u>25,965,448</u>	<u>1,658,207</u>
0	998,753	0
<u>0</u>	<u>451,728</u>	<u>0</u>
<u>0</u>	<u>1,450,481</u>	<u>0</u>
565,083	28,963,409	0
2,169,394	45,181,371	577,528
<u>2,734,477</u>	<u>74,144,780</u>	<u>577,528</u>
<u>2,734,477</u>	<u>75,595,261</u>	<u>577,528</u>
<u>2,890,507</u>	<u>101,560,709</u>	<u>2,235,735</u>
35,517	2,293,428	49,917
5,312	421,162	99,314
0	14,378	0
0	0	413,637
0	753,771	0
0	244,982	0
0	22,755	0
640,330	640,330	0
0	20,954	0
0	9,009	673
0	2,434,325	0
<u>681,159</u>	<u>6,855,094</u>	<u>563,541</u>
0	6,528	1,418
0	2,200,000	0
0	45,447,615	0
0	2,131,343	0
<u>3,928</u>	<u>1,547,317</u>	<u>356,929</u>
<u>3,928</u>	<u>51,332,803</u>	<u>358,347</u>
<u>685,087</u>	<u>58,187,897</u>	<u>921,888</u>
2,734,477	27,781,222	575,437
(529,057)	15,591,590	738,410
<u>\$ 2,205,420</u>	<u>\$ 43,372,812</u>	<u>\$ 1,313,847</u>
	494,665	
	<u>\$ 43,867,477</u>	

CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended December 31, 2003**

	Business-Type Activities - Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
Operating Revenues:				
Charges for Services	\$ 19,055,984	\$ 6,854,006	\$ 6,433,590	\$ 2,984,679
Other Operating Revenues	1,231,392	803	132	901
Total Operating Revenues	20,287,376	6,854,809	6,433,722	2,985,580
Operating Expenses:				
Personal Services	1,654,278	3,155,242	1,684,103	1,586,815
Contractual Services	619,743	681,234	1,383,029	955,081
Materials and Supplies	16,783,194	444,753	445,795	120,707
Other	55,300	19,336	15,776	5,144
Depreciation	436,997	880,414	1,827,055	152,830
Total Operating Expenses	19,549,512	5,180,979	5,355,758	2,820,577
Operating Income (Loss)	737,864	1,673,830	1,077,964	165,003
Non-Operating Revenue (Expenses):				
Interest Income	0	0	0	18,644
Interest and Fiscal Charges	0	(1,054,350)	(960,636)	(130,824)
Gain on Sale of Land	43,873	0	0	0
Loss on Disposal of Capital Assets	(3,192)	0	0	0
Total Non-Operating Revenues (Expenses)	40,681	(1,054,350)	(960,636)	(112,180)
Income Before Contributions and Transfers	778,545	619,480	117,328	52,823
Capital Contributions	0	294,341	476,004	0
Transfers Out	(307,742)	0	0	0
Change in Net Assets	470,803	913,821	593,332	52,823
Restated Net Assets Beginning of Year	13,908,283	15,966,864	11,186,160	(1,924,694)
Net Assets End of Year	\$ 14,379,086	\$ 16,880,685	\$ 11,779,492	\$ (1,871,871)

Change in Net Assets of Business Type Activities

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

Change in Net Assets of Business Type Activities

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Storm Water	Total	Internal Service Funds
\$ 72,031	\$ 35,400,290	\$ 7,241,645
0	1,233,228	22,049
<u>72,031</u>	<u>36,633,518</u>	<u>7,263,694</u>
32,403	8,112,841	6,212,907
0	3,639,087	343,634
0	17,794,449	220,254
3,602	99,158	0
21,784	3,319,080	121,621
<u>57,789</u>	<u>32,964,615</u>	<u>6,898,416</u>
14,242	3,668,903	365,278
0	18,644	0
0	(2,145,810)	0
0	43,873	0
0	(3,192)	(28,204)
<u>0</u>	<u>(2,086,485)</u>	<u>(28,204)</u>
14,242	1,582,418	337,074
474,179	1,244,524	0
0	(307,742)	0
<u>488,421</u>	<u>2,519,200</u>	<u>337,074</u>
1,716,999	40,853,612	976,773
<u>\$ 2,205,420</u>	<u>\$ 43,372,812</u>	<u>\$ 1,313,847</u>
	\$ 2,519,200	
	27,841	
	<u>\$ 2,547,041</u>	

CITY OF LANCASTER, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003**

	Business-Type Activities - Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$19,967,001	\$6,827,244	\$6,427,262	\$3,280,117
Cash Payments for Goods and Services	(18,127,153)	(1,172,746)	(1,880,166)	(1,099,492)
Cash Payments to and on behalf of Employees	(1,502,840)	(2,876,373)	(1,526,746)	(1,579,382)
Customer Deposits Received	161,756	24,405	24,405	0
Customer Deposits Returned	(106,961)	(19,780)	(19,780)	0
Net Cash Provided (Used) by Operating Activities	<u>391,803</u>	<u>2,782,750</u>	<u>3,024,975</u>	<u>601,243</u>
<u>Cash Flows from Noncapital Financing Activities:</u>				
Receipt of Interfund Loan	0	0	0	0
Interfund Loan	0	0	(1,814,046)	0
Receipt of Interfund Loan Repayment	0	0	1,280,660	0
Repayment of Interfund Loan	0	0	0	0
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>0</u>	<u>(533,386)</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Proceeds from Ohio Water Development Authority Loans	0	3,058,724	0	0
Proceeds from General Obligation Notes	0	0	2,200,000	0
Proceeds from Sale of Land	57,773	0	0	0
Acquisition and Construction of Assets	(980,488)	(5,440,385)	(2,218,364)	(102,813)
Capital Lease Payments	0	(8,150)	0	0
Principal Paid on Ohio Water Development Authority Loans	0	(944,883)	(1,257,294)	(158,800)
Interest Paid on All Debt	0	(1,054,350)	(939,682)	(130,824)
Net Cash Used for Capital and Related Financing Activities	<u>(922,715)</u>	<u>(4,389,044)</u>	<u>(2,215,340)</u>	<u>(392,437)</u>
<u>Cash Flows from Investing Activities:</u>				
Purchase of Investments	0	0	0	(137,126)
Receipt of Investment Earnings	0	0	0	13,724
Net Cash Used for Investing Activities	<u>0</u>	<u>0</u>	<u>0</u>	<u>(123,402)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(530,912)	(1,606,294)	276,249	85,404
Cash and Cash Equivalents at Beginning of Year	<u>3,424,068</u>	<u>6,758,419</u>	<u>5,702,928</u>	<u>1,213,363</u>
Cash and Cash Equivalents at End of Year	<u><u>\$2,893,156</u></u>	<u><u>\$5,152,125</u></u>	<u><u>\$5,979,177</u></u>	<u><u>\$1,298,767</u></u>
<u>Reconciliation of Cash and</u>				
<u>Cash Equivalents per the Balance Sheet:</u>				
Cash and Cash Equivalents	\$2,684,533	\$4,439,290	\$5,901,882	\$1,298,767
Restricted Cash and Cash Equivalents	208,623	712,835	77,295	0
Cash and Cash Equivalents at End of Year	<u><u>\$2,893,156</u></u>	<u><u>\$5,152,125</u></u>	<u><u>\$5,979,177</u></u>	<u><u>\$1,298,767</u></u>

CITY OF LANCASTER, OHIO

<u>Storm Water</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$0	\$36,501,624	\$7,261,944
0	(22,279,557)	(555,301)
(23,163)	(7,508,504)	(6,563,221)
0	210,566	0
0	(146,521)	0
<u>(23,163)</u>	<u>6,777,608</u>	<u>143,422</u>
1,814,046	1,814,046	0
0	(1,814,046)	0
0	1,280,660	0
<u>(1,280,660)</u>	<u>(1,280,660)</u>	<u>0</u>
<u>533,386</u>	<u>0</u>	<u>0</u>
0	3,058,724	0
0	2,200,000	0
0	57,773	0
(422,622)	(9,164,672)	(31,258)
0	(8,150)	(18,201)
0	(2,360,977)	0
<u>0</u>	<u>(2,124,856)</u>	<u>0</u>
<u>(422,622)</u>	<u>(8,342,158)</u>	<u>(49,459)</u>
0	(137,126)	0
0	13,724	0
<u>0</u>	<u>(123,402)</u>	<u>0</u>
87,601	(1,687,952)	93,963
0	17,098,778	873,412
<u>\$87,601</u>	<u>\$15,410,826</u>	<u>\$967,375</u>
\$87,601	\$14,412,073	\$967,375
0	998,753	0
<u>\$87,601</u>	<u>\$15,410,826</u>	<u>\$967,375</u>

(Continued)

CITY OF LANCASTER, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2003**

	Business-Type Activities - Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
<u>Reconciliation of Operating Income to Net Cash</u>				
<u>Provided (Used) by Operating Activities:</u>				
Operating Income	\$737,864	\$1,673,830	\$1,077,964	\$165,003
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation Expense	436,997	880,414	1,827,055	152,830
Miscellaneous Nonoperating Revenue	0	0	44,220	0
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	(265,075)	(8,229)	(34,904)	299,681
(Increase) Decrease in Inventory	(1,003,400)	(40,136)	(893)	681
Increase in Prepaid Items	(934)	(4,142)	(2,846)	(127)
Increase (Decrease) in Accounts Payable	281,032	(7,336)	(47,756)	679
Increase in Accrued Wages and Benefits	(14,619)	(8,054)	(7,237)	(12,828)
Decrease in Due to Other Funds	0	0	0	(31,069)
Increase (Decrease) in Intergovernmental Payable	(1,000)	4,028	0	(750)
Increase in Customer Deposits	25,004	4,625	4,625	0
Increase in Retainage Payable	29,791	0	0	0
Decrease in Landfill Postclosure Care Liability	0	0	0	(48,259)
Increase in Compensated Absences	166,143	287,750	164,747	75,402
Decrease in Claims Payable	0	0	0	0
Total Adjustments	<u>(346,061)</u>	<u>1,108,920</u>	<u>1,947,011</u>	<u>436,240</u>
Net Cash Provided (Used) by Operating Activities	<u>\$391,803</u>	<u>\$2,782,750</u>	<u>\$3,024,975</u>	<u>\$601,243</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2003 the Gas, Water, Water Pollution, and Storm Water Funds had outstanding liabilities of \$31,642, \$119,875, \$108,393, and \$35,517 respectively for certain capital assets. During 2003, the Water Fund incurred a liability of \$251,461 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 \$698 to the Ohio Water Development Authority for fees charged by the Authority.

During 2003 the Water, Water Pollution and Storm Water Funds received capital contributions from developers of \$294,341, \$476,004 and \$474,179 respectively.

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

<u>Storm Water</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$14,242	\$3,668,903	\$365,278
21,784	3,319,080	121,621
0	44,220	0
(68,429)	(76,956)	(1,750)
0	(1,043,748)	(21,868)
0	(8,049)	(465,736)
0	226,619	30,827
5,312	(37,426)	(10,649)
0	(31,069)	0
0	2,278	0
0	34,254	0
0	29,791	0
0	(48,259)	0
3,928	697,970	155,157
0	0	(29,458)
<u>(37,405)</u>	<u>3,108,705</u>	<u>(221,856)</u>
<u>(\$23,163)</u>	<u>\$6,777,608</u>	<u>\$143,422</u>

CITY OF LANCASTER, OHIO

**Statement of Net Assets
Fiduciary Funds
December 31, 2003**

	<u>Agency Funds</u>
Assets:	
Cash and Cash Equivalents	\$ 105,710
Due from Other Funds	3,392
Total Assets	<u>109,102</u>
Liabilities:	
Due to Other Funds	3,392
Intergovernmental Payable	3,392
Due to Others	102,318
Total Liabilities	<u>109,102</u>
Total Net Assets	<u>\$ 0</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2003 and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

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

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

The City participates in several Jointly Governed Organizations that are further described in Note 17.

B. Basis of Presentation - Fund Accounting

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds

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

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

Proprietary Funds

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

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

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

Fiduciary Funds

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

C. Basis of Presentation – Financial Statements

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

D. Basis of Accounting

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

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

Special assessment installments and related accrued interest, which are measurable but not available at December 31, are recorded as deferred revenues. Property taxes measurable as of December 31, 2003 but which are not intended to finance 2003 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred revenues.

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

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

E. Budgetary Process

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

1. Tax Budget

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

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2003.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level (the legal level of control). The appropriation ordinance may be amended during the year as

additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. The allocation of appropriations among departments and objects within a fund may only be modified during the year by an ordinance of City Council. During 2003, several supplemental appropriations were legally enacted by Council. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear on the " Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual" are presented on a budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

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

	<u>Net Change in Fund Balance</u>
	<u>General Fund</u>
GAAP Basis (as reported)	(\$677,515)
Increase (Decrease):	
Accrued Revenues at December 31, 2003 received during 2004	(2,158,730)
Accrued Revenues at December 31, 2002 received during 2003	2,274,610
Accrued Expenditures at December 31, 2003 paid during 2004	1,441,658
Accrued Expenditures at December 31, 2002 paid during 2003	(1,344,774)
2002 Prepays for 2003	48,519
2003 Prepays for 2004	(59,718)
Outstanding Encumbrances	<u>(278,532)</u>
Budget Basis	<u><u>(\$754,482)</u></u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

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

G. Investments

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

The City has invested funds in STAR Ohio during 2003. 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, 2003. See Note 4, "Cash, Cash Equivalents and Investments."

H. Inventory

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

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2003, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

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

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
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
Capital Leases	General Fund Street Construction, Maintenance and Repair 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, Storm Water Fund, Utilities Collection Fund, Electrical Fund, Information Services Fund

L. Compensated Absences

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

Sick leave is accrued by all employees at the rate of 4.615 hours every two weeks for a total of fifteen days of sick leave accrued per year. Sick leave may be accumulated without limit. Upon separation from the City, employees are paid a prorated amount of accumulated sick leave up to a maximum of 960 hours except for union employees, 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. Compensated absences accumulated by governmental fund type and proprietary fund type employees are reported as an expense when earned in the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not recorded. For proprietary funds, the entire compensated absences amount is reported as a fund liability.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction of improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net Assets restricted for Other Purposes include programs for street and highway improvements, state and federal grants for security of persons and property, public transportation and community development and mandatory fines for various court programs.

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

N. Pensions

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Interfund Transactions

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

P. Reservations of Fund Balance

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

Q. Restricted Assets

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

R. Operating Revenues and Expenses

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

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS

A. Changes in Accounting Principles

For fiscal year 2003, the City has implemented GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”; GASB Statement No. 37, “*Basic Financial Statements for State and Local Governments: Omnibus*”; GASB Statement No. 38, “*Certain Financial Statement Note Disclosures*”; and GASB Interpretation No. 6, “*Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statement.*” At December 31, 2002, there was no effect on fund balance as a result of implementing GASB Statements 37 and 38, or Interpretation No. 6.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

**NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS
(Continued)**

A. Changes in Accounting Principles (Continued)

GASB 34 creates new basic financial statements for reporting on the City’s financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Nonmajor funds are presented in total in one column.

The government-wide financial statements split the City’s programs between business-type and governmental activities. Except for the restatement explained below, the beginning net asset amount for the business-type activities equals fund equity of the enterprise funds from last year. The beginning net asset amount for governmental programs reflects the change in fund balance for governmental funds at December 31, 2002, caused by the conversion to the accrual basis of accounting.

B. Prior Period Adjustments

During the year the City discovered an accounting error in the inventory of the Gas fund. During the year ended December 31, 2003, the City completed a physical inventory and revaluation of all the infrastructure capital assets. The inventory and revaluation resulted in the restatement of the net assets at December 31, 2002 for the enterprise funds as follows:

	<u>Gas Fund</u>	<u>Storm Water Fund</u>
Net Assets at December 31, 2002 as reported	\$10,865,470	\$0
Restate Inventory	2,151,415	0
Restate Capital Assets	891,398	1,716,999
Net Assets at December 31, 2002 as restated	<u>\$13,908,283</u>	<u>\$1,716,999</u>

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 2 – CHANGES IN ACCOUNTING PRINCIPLE AND RESTATEMENT OF NET ASSETS

(Continued)

C. Restatement of Fund Balance/Retained Earnings

The changes to the beginning net assets, as well as the transition from fund balance/retained earnings to net assets of the governmental activities and the business-type activities are as follows:

	Governmental Activities	Total Business-Type Activities
Net Assets		
December 31, 2002	\$9,439,589	\$33,871,618
Prior Period Adjustments:		
Restate Inventory	0	2,151,415
Restate Capital Assets	0	2,608,397
Restated Net Assets, December 31, 2002	<u>9,439,589</u>	<u>38,631,430</u>
GASB 34 Adjustments:		
Capital Assets, excluding Internal Service Fund	24,617,640	0
Contributed Capital	0	2,222,182
Internal Service Fund	509,949	466,824
Long-Term Liabilities, excluding Internal Service Fund	(7,191,054)	0
Long-Term (Deferred) Assets	<u>3,243,298</u>	<u>0</u>
Net Assets, December 31, 2002	<u><u>\$30,619,422</u></u>	<u><u>\$41,320,436</u></u>

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

A. Deficit Fund Equities

The fund deficit at December 31, 2003 of \$39,058 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. The accumulated deficit of \$1,871,871 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 General Fund provides transfers, upon City Council's approval when cash is required not when accruals occur.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess Expenditures over Appropriations

For the year ended December 31, 2003, expenditures exceeded appropriations at the object level (i.e., the legal level of budgetary control) as follows:

<u>Fund</u>	<u>Excess</u>
Drug Enforcement Fund:	
Security of Persons and Property:	
Operations and Maintenance	\$19,915

The excess expenditures were funded from available fund balance.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

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

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- 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.

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.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

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

A. Deposits

At year end the carrying amount of the City's deposits was \$2,447,518 (including cash with fiscal agents) and the bank balance was \$3,164,616. Federal depository insurance covered \$547,200 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 \$267,272 earned by other funds was credited to the General Fund as required by state statute.

B. Investments

The City's investments at December 31, 2003 are summarized below:

<u>Categorized Investments</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Fair Value</u>
Local Securities	\$894,500	\$0	\$894,500
Repurchase Agreement	0	10,130,732	10,130,732
Total Categorized Investments	894,500	10,130,732	11,025,232
<u>Non-Categorized Investments</u>			
STAR Ohio	N/A	N/A	10,500,000
Total Non-Categorized Investments	N/A	N/A	10,500,000
Total Investments	\$894,500	\$10,130,732	\$21,525,232

C. Reconciliation of Cash, Cash Equivalents and Investments

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

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Combined Balance Sheet	\$21,689,508	\$2,283,242
Certificates of Deposit (with maturities of more than 3 months)	1,388,742	(1,388,742)
Investments:		
STAR Ohio	(10,500,000)	10,500,000
Repurchase Agreement	(10,130,732)	10,130,732
Per GASB Statement No. 3	\$2,447,518	\$21,525,232

* Includes Cash with Fiscal Agent

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2003 were levied after October 1, 2002 on assessed values as of January 1, 2002, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 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.

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, 2003 was \$3.40 per \$1,000 of assessed value. The assessed value upon which the 2003 property tax receipts were based was \$669,449,822. This amount constitutes \$562,148,300 in real property assessed value, \$91,021,282 in tangible personal property assessed value and \$16,280,240 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.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 5 - TAXES (Continued)

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. The City allows a credit of 100% of the first 1.0% unvoted tax paid to another municipality to a maximum of the total amount assessed.

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

NOTE 6 - RECEIVABLES

Receivables at December 31, 2003 consisted of taxes, accounts, net of allowance for doubtful accounts, special assessments, interest, loans and intergovernmental receivables arising from shared revenues.

NOTE 7 – INTERFUND ACCOUNTS

Interfund balances at December 31, 2003 consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General Fund	\$22,755	\$0
Enterprise Fund:		
Sanitation	0	22,755
Agency Funds:		
Municipal Court	0	3,392
Law Library	3,392	0
Total Agency Funds	<u>3,392</u>	<u>3,392</u>
Totals	<u>\$26,147</u>	<u>\$26,147</u>
	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
Enterprise Fund:		
Water Pollution	\$640,330	\$0
Storm Water	0	640,330
Totals	<u>\$640,330</u>	<u>\$640,330</u>

On the Statement of Net Assets, the Business-Type Activities reported an internal balance at December 31, 2003 of \$30,776 which was offset in the Governmental Activities by the same amount. The Due to Other Funds is a reimbursement of expenditures made by the General Fund. The Interfund Loan is a short-term loan to cover a temporary cash deficit.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 8 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2003:

Fund	Transfer In	Transfer Out
General Fund	\$0	\$1,555,237
Nonmajor Governmental Funds	1,555,237	0
Total Transfers In	\$1,555,237	1,555,237
Transfer out of Gas Fund to general capital assets		307,742
Total Transfers Out		\$1,862,979

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

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2003:

Class	Restated December 31, 2002	Additions	Deletions	December 31, 2003
<i>Historical Cost:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$10,878,426	\$307,742	\$0	\$11,186,168
Construction in Progress	209,649	1,965,310	(801,233)	1,373,726
Subtotal	11,088,075	2,273,052	(801,233)	12,559,894
<i>Capital assets being depreciated:</i>				
Buildings	6,216,439	0	(76,700)	6,139,739
Improvements Other than Buildings	4,757,980	839,448	(21,711)	5,575,717
Vehicles	4,475,030	295,760	(259,847)	4,510,943
Machinery and Equipment	4,319,548	249,320	(166,756)	4,402,112
Infrastructure	10,691,331	873,500	(17,490)	11,547,341
Subtotal	30,460,328	2,258,028	(542,504)	32,175,852
Total Cost	\$41,548,403	\$4,531,080	(\$1,343,737)	\$44,735,746
<i>Accumulated Depreciation:</i>				
Class	Restated December 31, 2002	Additions	Deletions	December 31, 2003
Buildings	(\$2,276,035)	(\$139,530)	\$70,855	(\$2,344,710)
Improvements Other than Buildings	(2,664,525)	(180,926)	1,899	(2,843,552)
Vehicles	(3,571,300)	(346,749)	190,421	(3,727,628)
Machinery and Equipment	(2,830,046)	(304,848)	157,242	(2,977,652)
Infrastructure	(5,056,889)	(200,185)	11,648	(5,245,426)
Total Depreciation	(\$16,398,795)	(\$1,172,238)	\$432,065	(\$17,138,968)
<i>Net Value:</i>	\$25,149,608			\$27,596,778

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 9 – CAPITAL ASSETS (Continued)

A. Governmental Activities Capital Assets (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$320,906
Leisure Time Activities	154,875
Community Environment	6,927
Public Health & Welfare	25,122
Transportation	361,736
General Government	213,240
Internal Service Fund Capital Assets	89,432
Total Depreciation Expense	<u>\$1,172,238</u>

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2003:

<i>Historical Cost:</i>	Restated December 31, 2002	Additions	Deletions	December 31, 2003
<i>Capital assets not being depreciated:</i>				
Land	\$1,114,876	\$0	(\$321,642)	\$793,234
Construction in Progress	20,388,101	7,782,074	0	28,170,175
Subtotal	<u>21,502,977</u>	<u>7,782,074</u>	<u>(321,642)</u>	<u>28,963,409</u>
<i>Capital assets being depreciated:</i>				
Buildings	\$13,676,460	\$0	\$0	\$13,676,460
Improvements	31,452,121	318,588	0	31,770,709
Vehicles	2,985,707	143,548	(25,240)	3,104,015
Machinery and Equipment	6,598,927	499,569	(10,569)	7,087,927
Infrastructure	33,412,827	1,879,723	0	35,292,550
Subtotal	<u>88,126,042</u>	<u>2,841,428</u>	<u>(35,809)</u>	<u>90,931,661</u>
Total Cost	<u>\$109,629,019</u>	<u>\$10,623,502</u>	<u>(\$357,451)</u>	<u>\$119,895,070</u>
<i>Accumulated Depreciation:</i>	Restated December 31, 2002	Additions	Deletions	December 31, 2003
Buildings	(\$5,588,253)	(\$303,942)	\$0	(\$5,892,195)
Improvements	(12,695,646)	(1,506,964)	0	(14,202,610)
Vehicles	(2,253,992)	(261,993)	25,240	(2,490,745)
Machinery and Equipment	(4,970,530)	(349,326)	9,436	(5,310,420)
Infrastructure	(16,767,982)	(945,232)	0	(17,713,214)
Total Depreciation	<u>(\$42,276,403)</u>	<u>(\$3,367,457)</u>	<u>\$34,676</u>	<u>(\$45,609,184)</u>
<i>Net Value:</i>	<u>\$67,352,616</u>	<u>\$7,256,045</u>	<u>(\$322,775)</u>	<u>\$74,285,886</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 10 – DEFINED BENEFIT PENSION PLANS

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

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

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

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

The Ohio PERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the TP Plan and CO Plan. Members of the MD Plan do not qualify for ancillary benefits. 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. For 2003, employee and employer contribution rates were consistent across all three plans (TP, MD and CO). The employee contribution rate is 8.5%. The 2003 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, 2003, 2002 and 2001 were \$1,542,139, \$1,495,828 and \$1,523,934, respectively, which were equal to the required contributions for each year.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The Ohio PERS provides postemployment health care benefits to age and service retirees with ten or more years of qualifying Ohio service credit and to primary survivor recipients of such retirees. 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 2003 employer contribution rate (identified above) that was used to fund health care for the year 2003 was 5.0% of covered payroll which amounted to \$569,055.

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, 2002. 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 2002 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. 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 364,881. The actuarial value of the Ohio PERS net assets available for OPEB at December 31, 2002 is \$10.0 billion. The actuarially accrued liability and the unfunded actuarial accrued liability, based on the actuarial cost method used, were \$18.7 billion and \$8.7 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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, 2003, 2002 and 2001 were \$595,412, \$579,430 and \$500,674 for police and \$867,734, \$854,147 and \$805,188 for firefighters, respectively, which were equal to the required contributions for each year.

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

The portion of the 2003 covered payroll that was used to fund postemployment health care benefits was \$236,638 representing 7.75% of covered payroll for police and \$280,206 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. Beginning in 2001, all retirees and survivors have monthly health care contributions. As of December 31, 2002, the date of the last actuarial evaluation available, the number of participants eligible to receive health care benefits was 13,527 for police and 10,396 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, 2002 were \$141,028,006, which was net of member contributions of \$12,623,875.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 11 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources. The City is retiring its notes by the issuance of one year renewal notes with a portion of the principal being retired in accordance with the above provisions. The City has purchased its own Notes Payables for 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 considered long-term because they were reissued in April 2004 and have a new maturity date of April 2005. \$2,835,000 of the Rockmill Improvement Notes Payable are considered long-term because they were reissued in May 2004 and have a new maturity date of May 2005. \$1,200,000 of the Sewer Improvement Lynwood Lane Notes Payable are considered long-term because they were reissued in April 2004 and have a new maturity date of April 2005.

	Maturity Date	Balance January 1, 2003	Additions	(Reductions)	Balance December 31, 2003
Capital Projects Notes Payable:					
3.50% Rising Park Improvement/ Land Acquisition	11/27/2003	\$600,000	\$0	(\$600,000)	\$0
3.50% Rising Park Improvement/ Land Acquisition	11/27/2004	0	550,000	0	550,000
2.15% Law Enforcement Building	11/13/2003	500,000	0	(500,000)	0
2.15% Law Enforcement Building	11/19/2004	0	375,000	0	375,000
2.75% Downtown Revitalization	4/24/2003	100,000	0	(100,000)	0
Total Capital Projects Notes Payable		<u>\$1,200,000</u>	<u>\$925,000</u>	<u>(\$1,200,000)</u>	<u>\$925,000</u>

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

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

Long-term debt and other long-term obligations of the City at December 31, 2003 were as follows:

	Balance December 31, 2002	Additions	(Reductions)	Balance December 31, 2003	Due Within One Year
Business-Type Activities:					
Ohio Water Development Authority Loans (OWDA):					
2003 2.00% Water Treatment Plant/Clearwells/Wellfield	\$0	\$180,220	(\$7,421)	\$172,799	\$5,071
2001 4.14% Water Transmission Line/Waste Force Main	5,372,007	0	(191,674)	5,180,333	199,692
2001 3.90% Water Treatment Plant/Clearwells/Wellfield	17,926,419	3,130,663	(745,788)	20,311,294	747,339
1989 8.48% Water Pollution Control Plant	6,684,981	0	(391,435)	6,293,546	424,629
1990 7.74% Water Pollution Control Plant (Supplement)	138,754	0	(8,452)	130,302	9,106
1993 2.94% Water Pollution Control Plant (Supplement)	9,569,824	0	(630,250)	8,939,574	648,915
1996 3.16% Water Pollution Control Plant (Supplement)	3,917,569	0	(227,157)	3,690,412	234,391
1997 3.98% Landfill Postclosure Care	3,322,480	0	(158,800)	3,163,680	165,182
Total Ohio Water Development Authority Loans	<u>46,932,034</u>	<u>3,310,883</u>	<u>(2,360,977)</u>	<u>47,881,940</u>	<u>2,434,325</u>
Long Term Notes Payable-Lynwood Lane Sewer Improvement	0	1,200,000	0	1,200,000	0
Long Term Notes Payable-Rockmill Improvement	0	1,000,000	0	1,000,000	0
Total Long Term Notes Payable	<u>0</u>	<u>2,200,000</u>	<u>0</u>	<u>2,200,000</u>	<u>0</u>
Landfill Postclosure Care Liability	2,179,602	0	(48,259)	2,131,343	0
Capital Leases	41,256	0	(25,719)	15,537	9,009
Compensated Absences	985,685	1,187,617	(396,312)	1,776,990	417,058
Total Business-Type Long-Term Debt	<u>\$50,138,577</u>	<u>\$6,698,500</u>	<u>(\$2,831,267)</u>	<u>\$54,005,810</u>	<u>\$2,860,392</u>
Governmental Activities Long-Term Debt:					
Special Assessment Bond Payable					
with Governmental Commitment	\$356,000	\$0	(\$11,500)	\$344,500	\$12,000
Long Term Notes Payable-Downtown Revitalization	425,000	425,000	(425,000)	425,000	0
Long Term Notes Payable-Rockmill Improvement	0	1,835,000	0	1,835,000	0
Total Long Term Notes Payable	<u>425,000</u>	<u>2,260,000</u>	<u>(425,000)</u>	<u>2,260,000</u>	<u>0</u>
Housing and Urban Development Loan Payable	1,300,000	0	(90,000)	1,210,000	90,000
Ohio Public Works Commission Loan Payable	115,635	0	(9,129)	106,506	6,086
Ohio Water Development Authority Loan Payable	2,000,000	0	0	2,000,000	2,000,000
Compensated Absences	2,021,242	2,014,634	(955,594)	3,080,282	964,802
Capital Leases	1,041,334	0	(215,127)	826,207	\$170,682
Total Governmental Activities	<u>\$7,259,211</u>	<u>\$4,274,634</u>	<u>(\$1,706,350)</u>	<u>\$9,827,495</u>	<u>\$3,243,570</u>

Internal service funds serve both governmental and business-type funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental and business-type funds. At year-end, \$127,256 and \$229,673 of internal service funds compensated absences are included in the respective above amounts. Also, \$2,091 of an internal service fund capital lease is recorded in the governmental activities amount. Several notes payable are considered long-term because they were reissued in April and May of 2004. See Note 11 for a further explanation.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

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

is ultimately responsible for the debt service if the assessments are not collected. There were no delinquent special assessments at year end. The City has purchased its own Special Assessment Bonds Payable for Downtown Revitalization. These are recorded as an investment in the General Fund.

In 1999 the City began a downtown revitalization project that was financed by several sources including a Housing and Development Authority Loan in the amount of \$1,570,000, 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, 2003, 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 \$8,939,574 at December 31, 2003.

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, 2003, 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 \$3,690,412 at December 31, 2003.

In 1997, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive approximately \$3,968,355. The amount is subject to change and has not been finalized. The interest rate on this loan is 3.98% per annum. This loan is payable from sanitation charges for landfill closure and postclosure care costs and is received by the City in increments as the project is completed. As of December 31, 2003, 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 \$3,163,680 at December 31, 2003.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 12 - 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 \$21,273,840, 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, 2003, the City had received \$5,464,939 and \$21,057,082, 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 2022. The City began repaying the second loan in semiannual payments beginning in 2003 based on a loan amount of \$21,273,840 to be paid through 2023. An estimate of future financing requirements has been made based on the loan balances of \$5,180,333 and \$20,311,294, respectively at December 31, 2003.

In 2002, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive a loan of \$200,000. The amount is subject to change and has not been finalized. The interest rates on the loan is 2.00%, per annum. This loan is payable from water charges and is received by the City in increments as the project is completed. As of December 31, 2003, the City had received \$180,220 from OWDA. Subsequent amounts will be received in future years. The City began repaying the loan in semiannual payments beginning in 2003 based on a loan amount of \$,200,000 to be paid through 2022. The City began repaying the second loan in semiannual payments beginning in 2003 based on a loan amount of \$200,000 to be paid through 2032. An estimate of future financing requirements has been made based on the loan balance of \$172,799 at December 31, 2003.

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, 2003 follows:

Years	OWDA Loans		HUD Loan		OPWC Loan		Special Assessment Bond Payable	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$4,434,326	\$2,134,719	\$90,000	\$73,647	\$6,086	\$0	\$12,000	\$17,225
2005	2,575,557	1,933,490	90,000	68,627	6,086	0	13,000	16,625
2006	2,690,381	1,818,664	90,000	63,522	6,086	0	13,500	15,975
2007	2,811,302	1,697,743	90,000	58,347	6,086	0	14,000	15,300
2008	2,938,705	1,570,341	90,000	53,147	6,086	0	15,000	14,600
2009-2013	16,862,319	5,682,913	450,000	184,950	30,430	0	86,000	61,075
2014-2018	11,304,139	2,306,165	310,000	45,900	30,430	0	110,500	37,250
2019-2023	6,224,846	501,511	0	0	15,216	0	80,500	8,175
2024-2028	40,365	2,167	0	0	0	0	0	0
Totals	<u>\$49,881,940</u>	<u>\$17,647,713</u>	<u>\$1,210,000</u>	<u>\$548,140</u>	<u>\$106,506</u>	<u>\$0</u>	<u>\$344,500</u>	<u>\$186,225</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 13 - CAPITALIZED LEASES

Under capital leases the City leases four copiers, two street sweepers, two salt spreaders, two pickup trucks, a dump truck, a utility vehicle, and various building improvements. The cost of the improvements and equipment obtained under capital leases is included in the appropriate proprietary fund or Governmental Activities Capital Assets and the related liability is included in the appropriate proprietary fund or in the Governmental Activities Long-Term Liabilities. The original cost of the assets acquired under capital lease was \$1,613,303.

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, 2003:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2004	\$217,924	\$10,165
2005	214,150	6,777
2006	211,261	0
2007	108,844	0
2008	108,844	0
2009	<u>108,844</u>	<u>0</u>
Minimum Lease Payments	969,867	16,942
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(143,660)</u>	<u>(1,405)</u>
Present value of minimum lease payments	<u><u>\$826,207</u></u>	<u><u>\$15,537</u></u>

NOTE 14 - INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During 2003, 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.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2003**

NOTE 14 - 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 \$413,637 reported in the fund at December 31, 2003 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount for the past two years are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2002	\$608,406	\$3,968,504	(\$4,133,815)	\$443,095
2003	443,095	4,840,453	(4,869,911)	413,637

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

NOTE 15 - CONSTRUCTION COMMITMENTS

As of December 31, 2003, the City had the following commitments with respect to capital improvements:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
South Water Treatment Plant and Wellfield	\$24,539	September 2004
Pleasant Lynwood Lane Sewer	\$226,678	August 2004
Rock Mill Phase II, Part 1	\$930,318	July 2004
Lancaster Industrial Park	\$137,667	August 2004

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 16 - 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 \$2,131,343. 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 \$451,728 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 17 - 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

H. FairCATS

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

The Board of Trustees is the governing body. The Board consists of twelve trustees which serve for three years each. 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 18 - 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.

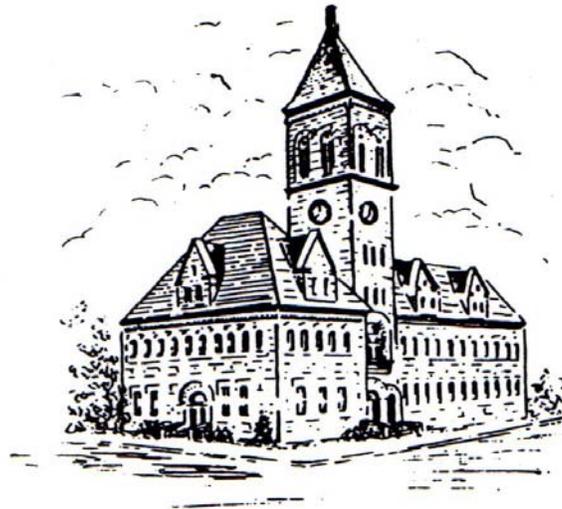
For the period January 1, 2003 to December 31, 2003, the City received federal and state grants for specific purposes that are subject to reviews and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2003***

NOTE 19 - SUBSEQUENT EVENTS

On March 10, 2004, the City authorized and issued \$14,105,000 of bond anticipation notes for various improvements. On May 24, 2004, the City issued and authorized \$2,835,000 of bond anticipation notes for Rockmill Lane improvement.

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*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Cemetery Fund

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

Street Construction, Maintenance and Repair Fund

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

Parks and Recreation Fund

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

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.

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.

(Continued)

Special Revenue Funds (Continued)

Fairfield County Court Surveillance Fund

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

Indigent Drivers Alcohol Treatment Fund

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

Law Enforcement and Education Fund

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

Municipal Court Computerization Fund

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

Municipal Court Special Projects Fund

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

Municipal Court Family Violence Fund

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

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.

Cemetery Interment Fund

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

Debt Service Fund

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

General Bond Retirement Fund

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

Special Assessment Debt Retirement Fund

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

Capital Projects 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.

Permanent Fund

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

Cemetery Trust Fund

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

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2003**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 1,940,781	\$ 71,265	\$ 1,223,103	\$ 17,984	\$ 3,253,133
Investments	222,887	0	0	714,127	937,014
Receivables (net of allowance for doubtful accounts):					
Taxes	596,878	0	41,848	0	638,726
Accounts	40,161	0	0	8,328	48,489
Intergovernmental	1,445,543	0	0	0	1,445,543
Interest	2,154	0	0	3,240	5,394
Special Assessments	0	684,519	0	0	684,519
Loans	1,287,696	0	0	0	1,287,696
Inventory of Supplies, at Cost	166,221	0	0	0	166,221
Prepaid Items	12,122	0	0	0	12,122
Restricted Assets:					
Cash and Cash Equivalents	0	0	101,129	0	101,129
Total Assets	\$ 5,714,443	\$ 755,784	\$ 1,366,080	\$ 743,679	\$ 8,579,986
Liabilities:					
Accounts Payable	\$ 111,817	\$ 0	\$ 52,455	\$ 0	\$ 164,272
Accrued Wages and Benefits Payable	260,779	0	0	0	260,779
Intergovernmental Payable	270	0	0	0	270
Retainage Payable	0	0	101,129	0	101,129
Deferred Revenue	1,500,103	684,519	15,692	315	2,200,629
Accrued Interest Payable	0	0	14,588	0	14,588
General Obligation Notes Payable	0	0	925,000	0	925,000
Total Liabilities	1,872,969	684,519	1,108,864	315	3,666,667
Fund Balances:					
Reserved for Encumbrances	41,840	0	0	0	41,840
Reserved for Prepaid Items	12,122	0	0	0	12,122
Reserved for Supplies Inventory	166,221	0	0	0	166,221
Reserved for Debt Service	0	71,265	0	0	71,265
Reserved for Loans Receivable	1,287,696	0	0	0	1,287,696
Reserved for Endowments	0	0	0	743,364	743,364
Unreserved, Undesignated in:					
Special Revenue Funds	2,333,595	0	0	0	2,333,595
Capital Projects Funds	0	0	257,216	0	257,216
Total Fund Balances	3,841,474	71,265	257,216	743,364	4,913,319
Total Liabilities and Funds Balances	\$ 5,714,443	\$ 755,784	\$ 1,366,080	\$ 743,679	\$ 8,579,986

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2003**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 1,576,152	\$ 0	\$ 228,967	\$ 0	\$ 1,805,119
Intergovernmental Revenues	3,119,157	0	201,340	0	3,320,497
Charges for Services	631,096	0	0	17,706	648,802
Licenses, Permits and Fees	810	0	0	0	810
Investment Earnings	58,917	0	0	12,387	71,304
Special Assessments	0	41,006	0	0	41,006
Fines and Forfeitures	439,388	0	0	0	439,388
All Other Revenue	46,655	0	8,176	0	54,831
Total Revenue	5,872,175	41,006	438,483	30,093	6,381,757
Expenditures:					
Current:					
Security of Persons and Property	673,517	0	0	0	673,517
Public Health and Welfare Services	601,104	0	0	0	601,104
Leisure Time Activities	1,598,290	0	0	0	1,598,290
Community Environment	658,240	0	0	0	658,240
Transportation	3,603,691	0	0	0	3,603,691
General Government	149,673	0	0	0	149,673
Capital Outlay	0	0	2,461,374	0	2,461,374
Debt Service:					
Principal Retirement	90,000	20,629	425,000	0	535,629
Interest & Fiscal Charges	39,299	77,800	55,679	0	172,778
Total Expenditures	7,413,814	98,429	2,942,053	0	10,454,296
Excess (Deficiency) of Revenues Over Expenditures	(1,541,639)	(57,423)	(2,503,570)	30,093	(4,072,539)
Other Financing Sources (Uses):					
General Obligation Notes Issued	0	0	2,260,000	0	2,260,000
Transfers In	1,215,237	116,156	223,844	0	1,555,237
Total Other Financing Sources (Uses)	1,215,237	116,156	2,483,844	0	3,815,237
Net Change in Fund Balances	(326,402)	58,733	(19,726)	30,093	(257,302)
Fund Balances at Beginning of Year	4,154,515	12,532	276,942	713,271	5,157,260
Increase in Inventory Reserve	13,361	0	0	0	13,361
Fund Balances End of Year	\$ 3,841,474	\$ 71,265	\$ 257,216	\$ 743,364	\$ 4,913,319

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2003**

	Cemetery Fund	Street Construction, Maintenance and Repair Fund	Parks and Recreation Fund	Lancaster Public Transit Program Fund
Assets:				
Cash and Cash Equivalents	\$ 41,056	\$ 301,252	\$ 186,656	\$ 11,239
Investments	0	0	0	0
Receivables:				
Taxes	13,950	0	209,241	0
Accounts	31,790	0	5,091	0
Intergovernmental	0	706,777	130,000	4,092
Interest	0	0	0	0
Loans	0	0	0	0
Inventory of Supplies, at Cost	2,771	158,718	4,224	0
Prepaid Items	1,170	7,252	3,700	0
Total Assets	\$ 90,737	\$ 1,173,999	\$ 538,912	\$ 15,331
Liabilities:				
Accounts Payable	\$ 3,060	\$ 36,417	\$ 20,163	\$ 47,103
Accrued Wages and Benefits Payable	28,041	162,131	48,654	3,194
Intergovernmental Payable	0	0	270	0
Deferred Revenue	5,231	471,000	208,459	4,092
Total Liabilities	36,332	669,548	277,546	54,389
Fund Balances:				
Reserved for Encumbrances	224	13,402	1,765	0
Reserved for Prepaid Items	1,170	7,252	3,700	0
Reserved for Supplies Inventory	2,771	158,718	4,224	0
Reserved for Loans Receivable	0	0	0	0
Undesignated/Unreserved	50,240	325,079	251,677	(39,058)
Total Fund Balances	54,405	504,451	261,366	(39,058)
Total Liabilities and Funds Balances	\$ 90,737	\$ 1,173,999	\$ 538,912	\$ 15,331

CITY OF LANCASTER, OHIO

<u>Family Violence Grant Fund</u>	<u>Law Director Victim Assistance Fund</u>	<u>Lancaster Community Development Fund</u>	<u>Law Enforcement Block Grant Fund</u>	<u>Police and Fire Pension Fund</u>	<u>City Health District Fund</u>
\$ 16,472	\$ 20,106	\$ 23,581	\$ 35,055	\$ 0	\$ 1,664
0	0	0	0	0	0
0	0	0	0	373,687	0
0	0	0	0	0	0
0	7,493	0	0	21,000	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	508	0	0	0
0	0	0	0	0	0
<u>\$ 16,472</u>	<u>\$ 27,599</u>	<u>\$ 24,089</u>	<u>\$ 35,055</u>	<u>\$ 394,687</u>	<u>\$ 1,664</u>
\$ 187	\$ 0	\$ 144	\$ 0	\$ 0	\$ 1,664
895	2,402	10,407	0	0	0
0	0	0	0	0	0
0	7,493	0	0	394,687	0
<u>1,082</u>	<u>9,895</u>	<u>10,551</u>	<u>0</u>	<u>394,687</u>	<u>1,664</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	508	0	0	0
0	0	0	0	0	0
<u>15,390</u>	<u>17,704</u>	<u>13,030</u>	<u>35,055</u>	<u>0</u>	<u>0</u>
<u>15,390</u>	<u>17,704</u>	<u>13,538</u>	<u>35,055</u>	<u>0</u>	<u>0</u>
<u>\$ 16,472</u>	<u>\$ 27,599</u>	<u>\$ 24,089</u>	<u>\$ 35,055</u>	<u>\$ 394,687</u>	<u>\$ 1,664</u>

(Continued)

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2003**

	Fairfield County Court Surveillance Fund	Indigent Drivers Alcohol Treatment Fund	Law Enforcement and Education Fund	Municipal Court Computerization Fund
Assets:				
Cash and Cash Equivalents	\$ 22,415	\$ 165,896	\$ 55,639	\$ 161,814
Investments	0	0	0	0
Receivables:				
Taxes	0	0	0	0
Accounts	0	0	0	0
Intergovernmental	34,340	0	0	0
Interest	0	0	0	0
Loans	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0
Prepaid Items	0	0	0	0
Total Assets	<u>\$ 56,755</u>	<u>\$ 165,896</u>	<u>\$ 55,639</u>	<u>\$ 161,814</u>
Liabilities:				
Accounts Payable	\$ 171	\$ 0	\$ 0	\$ 1,636
Accrued Wages and Benefits Payable	4,344	0	0	0
Intergovernmental Payable	0	0	0	0
Deferred Revenue	17,170	0	0	0
Total Liabilities	<u>21,685</u>	<u>0</u>	<u>0</u>	<u>1,636</u>
Fund Balances:				
Reserved for Encumbrances	0	0	0	12,876
Reserved for Prepaid Items	0	0	0	0
Reserved for Supplies Inventory	0	0	0	0
Reserved for Loans Receivable	0	0	0	0
Undesignated/Unreserved	35,070	165,896	55,639	147,302
Total Fund Balances	<u>35,070</u>	<u>165,896</u>	<u>55,639</u>	<u>160,178</u>
Total Liabilities and Funds Balances	<u>\$ 56,755</u>	<u>\$ 165,896</u>	<u>\$ 55,639</u>	<u>\$ 161,814</u>

CITY OF LANCASTER, OHIO

Municipal Court Special Projects Fund	Municipal Court Family Violence Fund	Drug Enforcement Fund	CDBG Fund	State Highway Fund	Cemetery Interment Fund	Total Nonmajor Special Revenue Funds
\$ 244,762	\$ 17,865	\$ 189,103	\$ 181,190	\$ 237,841	\$ 27,175	\$ 1,940,781
0	0	0	0	0	222,887	222,887
0	0	0	0	0	0	596,878
0	0	0	0	0	3,280	40,161
0	0	0	508,051	33,790	0	1,445,543
0	0	0	0	536	1,618	2,154
0	0	0	1,287,696	0	0	1,287,696
0	0	0	0	0	0	166,221
0	0	0	0	0	0	12,122
<u>\$ 244,762</u>	<u>\$ 17,865</u>	<u>\$ 189,103</u>	<u>\$ 1,976,937</u>	<u>\$ 272,167</u>	<u>\$ 254,960</u>	<u>\$ 5,714,443</u>
\$ 1,182	\$ 90	\$ 0	\$ 0	\$ 0	\$ 0	\$ 111,817
0	711	0	0	0	0	260,779
0	0	0	0	0	0	270
0	0	0	366,118	22,500	3,353	1,500,103
<u>1,182</u>	<u>801</u>	<u>0</u>	<u>366,118</u>	<u>22,500</u>	<u>3,353</u>	<u>1,872,969</u>
13,573	0	0	0	0	0	41,840
0	0	0	0	0	0	12,122
0	0	0	0	0	0	166,221
0	0	0	1,287,696	0	0	1,287,696
<u>230,007</u>	<u>17,064</u>	<u>189,103</u>	<u>323,123</u>	<u>249,667</u>	<u>251,607</u>	<u>2,333,595</u>
<u>243,580</u>	<u>17,064</u>	<u>189,103</u>	<u>1,610,819</u>	<u>249,667</u>	<u>251,607</u>	<u>3,841,474</u>
<u>\$ 244,762</u>	<u>\$ 17,865</u>	<u>\$ 189,103</u>	<u>\$ 1,976,937</u>	<u>\$ 272,167</u>	<u>\$ 254,960</u>	<u>\$ 5,714,443</u>

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	Cemetery Fund	Street Construction, Maintenance and Repair Fund	Parks and Recreation Fund	Lancaster Public Transit Program Fund
Revenues:				
Taxes	\$ 76,322	\$ 0	\$ 1,144,837	\$ 0
Intergovernmental Revenues	0	1,512,949	30,000	504,101
Charges for Services	144,872	0	291,648	160,055
Licenses, Permits and Fees	0	0	810	0
Investment Earnings	4,288	0	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenue	1,118	9,636	33,651	2,250
Total Revenue	<u>226,600</u>	<u>1,522,585</u>	<u>1,500,946</u>	<u>666,406</u>
Expenditures:				
Current:				
Security of Persons and Property	0	0	0	0
Public Health and Welfare Services	566,967	0	0	0
Leisure Time Activities	0	0	1,598,290	0
Community Environment	0	0	0	0
Transportation	0	2,880,080	0	723,611
General Government	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest & Fiscal Charges	0	0	0	0
Total Expenditures	<u>566,967</u>	<u>2,880,080</u>	<u>1,598,290</u>	<u>723,611</u>
Excess (Deficiency) of Revenues Over Expenditures	(340,367)	(1,357,495)	(97,344)	(57,205)
Other Financing Sources (Uses):				
Transfers In	288,437	876,800	0	50,000
Total Other Financing Sources (Uses)	<u>288,437</u>	<u>876,800</u>	<u>0</u>	<u>50,000</u>
Net Change in Fund Balances	(51,930)	(480,695)	(97,344)	(7,205)
Fund Balances at Beginning of Year	104,653	971,987	360,698	(31,853)
Increase (Decrease) in Inventory Reserve	1,682	13,159	(1,988)	0
Fund Balances End of Year	<u>\$ 54,405</u>	<u>\$ 504,451</u>	<u>\$ 261,366</u>	<u>\$ (39,058)</u>

CITY OF LANCASTER, OHIO

<u>Family Violence Grant Fund</u>	<u>Law Director Victim Assistance Fund</u>	<u>Lancaster Community Development Fund</u>	<u>Law Enforcement Block Grant Fund</u>	<u>Police and Fire Pension Fund</u>	<u>City Health District Fund</u>
\$ 0	\$ 0	\$ 0	\$ 0	\$ 354,993	\$ 0
39,584	34,373	133,693	23,286	42,260	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>39,584</u>	<u>34,373</u>	<u>133,693</u>	<u>23,286</u>	<u>397,253</u>	<u>0</u>
40,931	44,462	0	30,175	397,253	0
0	0	0	0	0	1,664
0	0	0	0	0	0
0	0	156,196	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>40,931</u>	<u>44,462</u>	<u>156,196</u>	<u>30,175</u>	<u>397,253</u>	<u>1,664</u>
(1,347)	(10,089)	(22,503)	(6,889)	0	(1,664)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
(1,347)	(10,089)	(22,503)	(6,889)	0	(1,664)
16,737	27,793	35,533	41,944	0	1,664
0	0	508	0	0	0
<u>\$ 15,390</u>	<u>\$ 17,704</u>	<u>\$ 13,538</u>	<u>\$ 35,055</u>	<u>\$ 0</u>	<u>\$ 0</u>

(Continued)

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	Fairfield County Court Surveillance Fund	Indigent Drivers Alcohol Treatment Fund	Law Enforcement and Education Fund	Municipal Court Computerization Fund
Revenues:				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	66,962	0	0	0
Charges for Services	0	0	0	0
Licenses, Permits and Fees	0	0	0	0
Investment Earnings	0	0	0	0
Fines and Forfeitures	0	36,288	3,822	145,594
All Other Revenue	0	0	0	0
Total Revenue	66,962	36,288	3,822	145,594
Expenditures:				
Current:				
Security of Persons and Property	64,979	75,001	0	0
Public Health and Welfare Services	0	0	0	0
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Transportation	0	0	0	0
General Government	0	0	0	111,571
Debt Service:				
Principal Retirement	0	0	0	0
Interest & Fiscal Charges	0	0	0	0
Total Expenditures	64,979	75,001	0	111,571
Excess (Deficiency) of Revenues Over Expenditures	1,983	(38,713)	3,822	34,023
Other Financing Sources (Uses):				
Transfers In	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balances	1,983	(38,713)	3,822	34,023
Fund Balances at Beginning of Year	33,087	204,609	51,817	126,155
Increase (Decrease) in Inventory Reserve	0	0	0	0
Fund Balances End of Year	\$ 35,070	\$ 165,896	\$ 55,639	\$ 160,178

CITY OF LANCASTER, OHIO

Municipal Court Special Projects Fund	Municipal Court Family Violence Fund	Drug Enforcement Fund	CDBG Fund	State Highway Fund	Cemetery Interment Fund	Total Nonmajor Special Revenue Funds
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,576,152
0	0	0	668,934	63,015	0	3,119,157
0	17,865	0	0	0	16,656	631,096
0	0	0	0	0	0	810
0	0	1,885	4,000	6,819	41,925	58,917
127,611	0	126,073	0	0	0	439,388
0	0	0	0	0	0	46,655
<u>127,611</u>	<u>17,865</u>	<u>127,958</u>	<u>672,934</u>	<u>69,834</u>	<u>58,581</u>	<u>5,872,175</u>
0	801	19,915	0	0	0	673,517
0	0	0	0	0	32,473	601,104
0	0	0	0	0	0	1,598,290
0	0	0	502,044	0	0	658,240
0	0	0	0	0	0	3,603,691
38,102	0	0	0	0	0	149,673
0	0	0	90,000	0	0	90,000
0	0	0	39,299	0	0	39,299
<u>38,102</u>	<u>801</u>	<u>19,915</u>	<u>631,343</u>	<u>0</u>	<u>32,473</u>	<u>7,413,814</u>
89,509	17,064	108,043	41,591	69,834	26,108	(1,541,639)
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,215,237</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,215,237</u>
89,509	17,064	108,043	41,591	69,834	26,108	(326,402)
154,071	0	81,060	1,569,228	179,833	225,499	4,154,515
0	0	0	0	0	0	13,361
<u>\$ 243,580</u>	<u>\$ 17,064</u>	<u>\$ 189,103</u>	<u>\$ 1,610,819</u>	<u>\$ 249,667</u>	<u>\$ 251,607</u>	<u>\$ 3,841,474</u>

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2003**

	<u>General Bond Retirement Fund</u>	<u>Special Assessment Debt Retirement Fund</u>	<u>Total Nonmajor Debt Service Funds</u>
Assets:			
Cash and Cash Equivalents	\$ 59,559	\$ 11,706	\$ 71,265
Receivables (net of allowance for doubtful accounts):			
Special Assessments	0	684,519	684,519
Total Assets	<u>\$ 59,559</u>	<u>\$ 696,225</u>	<u>\$ 755,784</u>
Liabilities:			
Deferred Revenue	\$ 0	\$ 684,519	\$ 684,519
Total Liabilities	<u>0</u>	<u>684,519</u>	<u>684,519</u>
Reserved for Debt Service	<u>59,559</u>	<u>11,706</u>	<u>71,265</u>
Total Fund Balances	<u>59,559</u>	<u>11,706</u>	<u>71,265</u>
Total Liabilities and Funds Balances	<u>\$ 59,559</u>	<u>\$ 696,225</u>	<u>\$ 755,784</u>

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended December 31, 2003***

	<u>General Bond Retirement Fund</u>	<u>Special Assessment Debt Retirement Fund</u>	<u>Total Nonmajor Debt Service Funds</u>
Revenues:			
Special Assessments	\$ 0	\$ 41,006	\$ 41,006
Total Revenue	<u>0</u>	<u>41,006</u>	<u>41,006</u>
Expenditures:			
Debt Service:			
Principal Retirement	9,129	11,500	20,629
Interest and Fiscal Charges	<u>60,000</u>	<u>17,800</u>	<u>77,800</u>
Total Expenditures	<u>69,129</u>	<u>29,300</u>	<u>98,429</u>
Excess (Deficiency) of Revenues Over Expenditures	(69,129)	11,706	(57,423)
Other Financing Sources (Uses):			
Transfers In	<u>116,156</u>	<u>0</u>	<u>116,156</u>
Total Other Financing Sources (Uses)	<u>116,156</u>	<u>0</u>	<u>116,156</u>
Net Change in Fund Balances	47,027	11,706	58,733
Fund Balances at Beginning of Year	<u>12,532</u>	<u>0</u>	<u>12,532</u>
Fund Balances End of Year	<u>\$ 59,559</u>	<u>\$ 11,706</u>	<u>\$ 71,265</u>

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2003**

	Capital Improvement Fund	Fire Capital Improvement Fund	Total Nonmajor Capital Projects Funds
Assets:			
Cash and Cash Equivalents	\$ 1,123,103	\$ 100,000	\$ 1,223,103
Receivables (net of allowance for doubtful accounts):			
Taxes	41,848	0	41,848
Cash and Cash Equivalents	101,129	0	101,129
Total Assets	\$ 1,266,080	\$ 100,000	\$ 1,366,080
Liabilities:			
Accounts Payable	\$ 52,455	\$ 0	\$ 52,455
Retainage Payable	101,129	0	101,129
Deferred Revenue	15,692	0	15,692
Accrued Interest Payable	14,588	0	14,588
General Obligation Notes Payable	925,000	0	925,000
Total Liabilities	1,108,864	0	1,108,864
Fund Balances:			
Undesignated/Unreserved	157,216	100,000	257,216
Total Fund Balances	157,216	100,000	257,216
Total Liabilities and Funds Balances	\$ 1,266,080	\$ 100,000	\$ 1,366,080

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2003***

	Capital Improvement Fund	Fire Capital Improvement Fund	Total Nonmajor Capital Project Funds
Revenues:			
Taxes	\$ 228,967	\$ 0	\$ 228,967
Intergovernmental Revenues	201,340	0	201,340
All Other Revenue	8,176	0	8,176
Total Revenue	<u>438,483</u>	<u>0</u>	<u>438,483</u>
Expenditures:			
Current:			
Capital Outlay	2,461,374	0	2,461,374
Debt Service:			
Principal Retirement	425,000	0	425,000
Interest & Fiscal Charges	55,679	0	55,679
Total Expenditures	<u>2,942,053</u>	<u>0</u>	<u>2,942,053</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,503,570)	0	(2,503,570)
Other Financing Sources (Uses):			
General Obligation Notes Issued	2,260,000	0	2,260,000
Transfers In	223,844	0	223,844
Total Other Financing Sources (Uses)	<u>2,483,844</u>	<u>0</u>	<u>2,483,844</u>
Net Change in Fund Balances	(19,726)	0	(19,726)
Fund Balances at Beginning of Year	<u>176,942</u>	<u>100,000</u>	<u>276,942</u>
Fund Balances End of Year	<u>\$ 157,216</u>	<u>\$ 100,000</u>	<u>\$ 257,216</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2003**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 13,751,630	\$ 13,757,911	\$ 13,528,536	\$ (229,375)
Intergovernmental Revenues	2,889,579	3,040,077	2,919,485	(120,592)
Charges for Services	1,309,800	1,612,776	1,586,526	(26,250)
License, Permits and Fees	12,500	22,567	22,907	340
Investment Earnings	596,300	325,000	313,504	(11,496)
Fines and Forfeitures	857,901	857,901	872,262	14,361
All Other Revenues	250,900	172,758	164,167	(8,591)
Total Revenues	<u>19,668,610</u>	<u>19,788,990</u>	<u>19,407,387</u>	<u>(381,603)</u>
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	5,925,858	5,749,982	5,559,034	190,948
Operations and Maintenance	717,583	722,583	571,945	150,638
Capital Outlay	64,134	85,842	52,904	32,938
Total Police	<u>6,707,575</u>	<u>6,558,407</u>	<u>6,183,883</u>	<u>374,524</u>
Fire:				
Personal Services	5,830,443	5,639,466	5,573,423	66,043
Operations and Maintenance	395,345	393,629	347,983	45,646
Capital Outlay	93,965	238,996	232,972	6,024
Total Fire	<u>6,319,753</u>	<u>6,272,091</u>	<u>6,154,378</u>	<u>117,713</u>
Street Lighting:				
Operations and Maintenance	222,183	215,433	202,397	13,036
Total Street Lighting	<u>222,183</u>	<u>215,433</u>	<u>202,397</u>	<u>13,036</u>
Total Security of Persons and Property	<u>13,249,511</u>	<u>13,045,931</u>	<u>12,540,658</u>	<u>505,273</u>
Public Health and Welfare Services:				
Health:				
Operations and Maintenance	208,000	223,568	223,568	0
Total Health	<u>208,000</u>	<u>223,568</u>	<u>223,568</u>	<u>0</u>
Assistance to Needy:				
Operations and Maintenance	500	500	0	500
Total Assistance to Needy	<u>500</u>	<u>500</u>	<u>0</u>	<u>500</u>
Total Public Health and Welfare Services	<u>208,500</u>	<u>224,068</u>	<u>223,568</u>	<u>500</u>

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Community Environment:				
Zoning, Planning, Tree Commissions:				
Operations and Maintenance	99,689	106,679	90,957	15,722
Total Zoning, Planning, Tree Commission	<u>99,689</u>	<u>106,679</u>	<u>90,957</u>	<u>15,722</u>
Economic Development:				
Personal Services	13,470	10,870	9,624	1,246
Operations and Maintenance	82,030	81,655	70,361	11,294
Total Economic Development	<u>95,500</u>	<u>92,525</u>	<u>79,985</u>	<u>12,540</u>
Total Community Environment	<u>195,189</u>	<u>199,204</u>	<u>170,942</u>	<u>28,262</u>
General Government:				
Council:				
Personal Services	81,255	85,869	85,458	411
Operations and Maintenance	4,600	6,600	5,233	1,367
Total Council	<u>85,855</u>	<u>92,469</u>	<u>90,691</u>	<u>1,778</u>
Mayor:				
Personal Services	138,559	138,983	138,122	861
Operations and Maintenance	6,121	5,164	4,727	437
Capital Outlay	500	0	0	0
Total Mayor	<u>145,180</u>	<u>144,147</u>	<u>142,849</u>	<u>1,298</u>
Personnel:				
Personal Services	113,294	108,344	102,268	6,076
Operations and Maintenance	15,756	18,466	17,061	1,405
Capital Outlay	2,394	3,684	3,653	31
Total Personnel	<u>131,444</u>	<u>130,494</u>	<u>122,982</u>	<u>7,512</u>
Auditor:				
Personal Services	341,671	337,493	330,995	6,498
Operations and Maintenance	39,805	39,633	31,991	7,642
Capital Outlay	1,000	1,000	986	14
Total Auditor	<u>382,476</u>	<u>378,126</u>	<u>363,972</u>	<u>14,154</u>

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Treasurer:				
Personal Services	17,100	17,918	17,641	277
Operations and Maintenance	7,584	6,691	1,459	5,232
Capital Outlay	1,500	1,500	432	1,068
Total Treasurer	<u>26,184</u>	<u>26,109</u>	<u>19,532</u>	<u>6,577</u>
Law Director:				
Personal Services	407,418	403,768	379,775	23,993
Operations and Maintenance	85,582	87,582	80,228	7,354
Total Law Director	<u>493,000</u>	<u>491,350</u>	<u>460,003</u>	<u>31,347</u>
Law Director-Prosecution Contract:				
Personal Services	35,027	34,127	33,084	1,043
Operations and Maintenance	16,473	14,474	13,168	1,306
Capital Outlay	3,000	3,000	2,093	907
Total Law Director-Prosecution Contract	<u>54,500</u>	<u>51,601</u>	<u>48,345</u>	<u>3,256</u>
Law Director-Code Enforcement:				
Personal Services	55,675	55,225	54,659	566
Operations and Maintenance	10,400	15,275	13,790	1,485
Total Law Director-Code Enforcement	<u>66,075</u>	<u>70,500</u>	<u>68,449</u>	<u>2,051</u>
Municipal Court:				
Personal Services	619,723	611,999	591,396	20,603
Operations and Maintenance	64,535	64,884	61,075	3,809
Total Municipal Court	<u>684,258</u>	<u>676,883</u>	<u>652,471</u>	<u>24,412</u>
Judicial:				
Personal Services	506,179	506,659	473,343	33,316
Operations and Maintenance	56,735	40,692	24,807	15,885
Capital Outlay	2,000	2,000	250	1,750
Total Judicial	<u>564,914</u>	<u>549,351</u>	<u>498,400</u>	<u>50,951</u>

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Civil Service:				
Personal Services	6,579	6,779	6,125	654
Operations and Maintenance	44,220	42,870	27,054	15,816
Total Civil Service	<u>50,799</u>	<u>49,649</u>	<u>33,179</u>	<u>16,470</u>
City Hall Maintenance:				
Personal Services	109,275	111,385	109,471	1,914
Operations and Maintenance	65,100	72,819	69,873	2,946
Total City Hall Maintenance	<u>174,375</u>	<u>184,204</u>	<u>179,344</u>	<u>4,860</u>
City Hall Maintenance-Annex:				
Operations and Maintenance	31,790	27,005	22,621	4,384
Capital Outlay	21,246	28,746	28,746	0
Total City Hall Maintenance-Annex	<u>53,036</u>	<u>55,751</u>	<u>51,367</u>	<u>4,384</u>
Service Safety Director:				
Personal Services	143,100	141,775	139,192	2,583
Operations and Maintenance	6,520	6,520	6,097	423
Total Service Safety Director	<u>149,620</u>	<u>148,295</u>	<u>145,289</u>	<u>3,006</u>
Engineer:				
Personal Services	802,900	788,500	732,882	55,618
Operations and Maintenance	115,029	129,434	68,010	61,424
Capital Outlay	60,455	49,274	36,339	12,935
Total Engineer	<u>978,384</u>	<u>967,208</u>	<u>837,231</u>	<u>129,977</u>
Administration Support:				
Personal Services	46,348	46,348	40,720	5,628
Operations and Maintenance	328,448	363,431	315,224	48,207
Total Administration Support	<u>374,796</u>	<u>409,779</u>	<u>355,944</u>	<u>53,835</u>

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Miscellaneous:				
Personal Services	353,120	223,355	219,502	3,853
Operations and Maintenance	974,315	982,924	932,665	50,259
Capital Outlay	9,625	19,251	9,626	9,625
Total Miscellaneous	<u>1,337,060</u>	<u>1,225,530</u>	<u>1,161,793</u>	<u>63,737</u>
Income Tax:				
Personal Services	346,890	359,040	343,312	15,728
Operations and Maintenance	354,649	649,649	615,842	33,807
Capital Outlay	2,000	3,000	2,969	31
Total Income Tax	<u>703,539</u>	<u>1,011,689</u>	<u>962,123</u>	<u>49,566</u>
Total General Government	<u>6,455,495</u>	<u>6,663,135</u>	<u>6,193,964</u>	<u>469,171</u>
Total Expenditures	<u>20,108,695</u>	<u>20,132,338</u>	<u>19,129,132</u>	<u>1,003,206</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(440,085)	(343,348)	278,255	621,603
Other Financing Sources (Uses):				
Transfers In	628,000	595,924	555,925	(39,999)
Transfers Out	(1,593,712)	(1,588,662)	(1,588,662)	0
Advances In	0	830,330	830,330	0
Advances Out	0	(830,330)	(830,330)	0
Total Other Financing Sources (Uses)	<u>(965,712)</u>	<u>(992,738)</u>	<u>(1,032,737)</u>	<u>(39,999)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,405,797)	(1,336,086)	(754,482)	581,604
Fund Balance at Beginning of Year	2,810,395	2,810,395	2,810,395	0
Prior Year Encumbrances	340,144	340,144	340,144	0
Fund Balance at End of Year	<u>\$ 1,744,742</u>	<u>\$ 1,814,453</u>	<u>\$ 2,396,057</u>	<u>\$ 581,604</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	CEMETERY FUND			Variance with Final Budget Positive Negative
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:				
Taxes	\$ 79,442	\$ 79,442	\$ 76,316	\$ (3,126)
Charges for Services	203,000	203,000	169,963	(33,037)
Investment Earnings	0	0	4,288	4,288
All Other Revenues	5,500	5,500	1,118	(4,382)
Total Revenues	<u>287,942</u>	<u>287,942</u>	<u>251,685</u>	<u>(36,257)</u>
Expenditures:				
Public Health and Welfare Services:				
Personal Services	556,026	568,754	519,527	49,227
Operations and Maintenance	112,875	112,475	81,859	30,616
Capital Outlay	5,080	5,080	2,856	2,224
Total Expenditures	<u>673,981</u>	<u>686,309</u>	<u>604,242</u>	<u>82,067</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(386,039)	(398,367)	(352,557)	45,810
Other Financing Sources (Uses):				
Operating Transfers In	339,887	339,887	320,910	(18,977)
Total Other Financing Sources (Uses)	<u>339,887</u>	<u>339,887</u>	<u>320,910</u>	<u>(18,977)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(46,152)	(58,480)	(31,647)	26,833
Fund Balance at Beginning of Year	59,850	59,850	59,850	0
Prior Year Encumbrances	10,698	10,698	10,698	0
Fund Balance at End of Year	<u>\$ 24,396</u>	<u>\$ 12,068</u>	<u>\$ 38,901</u>	<u>\$ 26,833</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND				
Revenues:				
Intergovernmental Revenues	\$ 1,544,000	\$ 1,544,000	\$ 1,487,656	\$ (56,344)
All Other Revenues	14,000	14,000	9,636	(4,364)
Total Revenues	<u>1,558,000</u>	<u>1,558,000</u>	<u>1,497,292</u>	<u>(60,708)</u>
Expenditures:				
Transportation:				
Personal Services	1,755,448	1,745,948	1,586,276	159,672
Operations and Maintenance	1,192,535	1,276,914	1,213,175	63,739
Capital Outlay	34,442	61,642	48,897	12,745
Total Expenditures	<u>2,982,425</u>	<u>3,084,504</u>	<u>2,848,348</u>	<u>236,156</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,424,425)	(1,526,504)	(1,351,056)	175,448
Other Financing Sources (Uses):				
Transfers In	945,825	945,825	876,800	(69,025)
Total Other Financing Sources (Uses)	<u>945,825</u>	<u>945,825</u>	<u>876,800</u>	<u>(69,025)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(478,600)	(580,679)	(474,256)	106,423
Fund Balance at Beginning of Year	500,030	500,030	500,030	0
Prior Year Encumbrances	233,615	233,615	233,615	0
Fund Balance at End of Year	<u>\$ 255,045</u>	<u>\$ 152,966</u>	<u>\$ 259,389</u>	<u>\$ 106,423</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

PARKS AND RECREATION FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 1,191,622	\$ 1,191,622	\$ 1,144,745	\$ (46,877)
Intergovernmental Revenues	20,000	176,000	30,000	(146,000)
Charges for Services	287,500	287,500	293,183	5,683
Licenses, Permits and Fees	225	225	810	585
All Other Revenues	20,000	20,000	33,607	13,607
Total Revenues	<u>1,519,347</u>	<u>1,675,347</u>	<u>1,502,345</u>	<u>(173,002)</u>
Expenditures:				
Leisure Time Activities:				
Personal Services	1,063,081	1,103,361	1,048,789	54,572
Operations and Maintenance	563,212	706,212	541,082	165,130
Capital Outlay	32,340	31,340	29,579	1,761
Total Expenditures	<u>1,658,633</u>	<u>1,840,913</u>	<u>1,619,450</u>	<u>221,463</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(139,286)	(165,566)	(117,105)	48,461
Fund Balance at Beginning of Year	286,217	286,217	286,217	0
Prior Year Encumbrances	8,553	8,553	8,553	0
Fund Balance at End of Year	<u>\$ 155,484</u>	<u>\$ 129,204</u>	<u>\$ 177,665</u>	<u>\$ 48,461</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

LANCASTER PUBLIC TRANSIT PROGRAM FUND				Variance with Final Budget Positive Negative
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:				
Intergovernmental Revenues	\$ 422,500	\$ 504,101	\$ 504,101	\$ 0
Charges for Services	176,500	162,649	162,008	(641)
All Other Revenues	1,000	3,250	2,250	(1,000)
Total Revenues	<u>600,000</u>	<u>670,000</u>	<u>668,359</u>	<u>(1,641)</u>
Expenditures:				
Transportation:				
Personal Services	0	17,201	11,671	5,530
Operations and Maintenance	563,565	514,764	509,208	5,556
Capital Outlay	89,320	190,000	189,785	215
Total Expenditures	<u>652,885</u>	<u>721,965</u>	<u>710,664</u>	<u>11,301</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(52,885)	(51,965)	(42,305)	9,660
Other Financing Sources (Uses):				
Transfers In	40,000	50,000	50,000	0
Advances In	10,000	190,000	190,000	0
Advances Out	0	(190,000)	(190,000)	0
Total Other Financing Sources (Uses)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>0</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(2,885)	(1,965)	7,695	9,660
Fund Balance at Beginning of Year	<u>3,544</u>	<u>3,544</u>	<u>3,544</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 659</u>	<u>\$ 1,579</u>	<u>\$ 11,239</u>	<u>\$ 9,660</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	FAMILY VIOLENCE GRANT FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 69,824	\$ 69,824	\$ 39,584	\$ (30,240)
Total Revenues	<u>69,824</u>	<u>69,824</u>	<u>39,584</u>	<u>(30,240)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	67,824	67,824	43,129	24,695
Operations and Maintenance	<u>2,399</u>	<u>2,399</u>	<u>1,427</u>	<u>972</u>
Total Expenditures	<u>70,223</u>	<u>70,223</u>	<u>44,556</u>	<u>25,667</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(399)	(399)	(4,972)	(4,573)
Fund Balance at Beginning of Year	20,858	20,858	20,858	0
Prior Year Encumbrances	<u>399</u>	<u>399</u>	<u>399</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 20,858</u>	<u>\$ 20,858</u>	<u>\$ 16,285</u>	<u>\$ (4,573)</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 46,147	\$ 46,147	\$ 45,552	\$ (595)
Total Revenues	<u>46,147</u>	<u>46,147</u>	<u>45,552</u>	<u>(595)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	46,147	46,147	44,614	1,533
Total Expenditures	<u>46,147</u>	<u>46,147</u>	<u>44,614</u>	<u>1,533</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	938	938
Fund Balance at Beginning of Year	19,168	19,168	19,168	0
Fund Balance at End of Year	<u>\$ 19,168</u>	<u>\$ 19,168</u>	<u>\$ 20,106</u>	<u>\$ 938</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

LANCASTER COMMUNITY DEVELOPMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:				
Intergovernmental Revenues	\$ 168,677	\$ 168,677	\$ 133,693	\$ (34,984)
Total Revenues	<u>168,677</u>	<u>168,677</u>	<u>133,693</u>	<u>(34,984)</u>
Expenditures:				
Community Environment:				
Personal Services	161,177	165,337	155,578	9,759
Operations and Maintenance	<u>7,500</u>	<u>7,500</u>	<u>1,719</u>	<u>5,781</u>
Total Expenditures	<u>168,677</u>	<u>172,837</u>	<u>157,297</u>	<u>15,540</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(4,160)	(23,604)	(19,444)
Fund Balance at Beginning of Year	<u>47,185</u>	<u>47,185</u>	<u>47,185</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 47,185</u>	<u>\$ 43,025</u>	<u>\$ 23,581</u>	<u>\$ (19,444)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

LAW ENFORCEMENT BLOCK GRANT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u></u>
Revenues:				
Intergovernmental Revenues	\$ 30,000	\$ 30,000	\$ 23,286	\$ (6,714)
Total Revenues	<u>30,000</u>	<u>30,000</u>	<u>23,286</u>	<u>(6,714)</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	0	36,910	30,175	6,735
Total Expenditures	<u>0</u>	<u>36,910</u>	<u>30,175</u>	<u>6,735</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	30,000	(6,910)	(6,889)	21
Fund Balance at Beginning of Year	41,944	41,944	41,944	0
Fund Balance at End of Year	<u>\$ 71,944</u>	<u>\$ 35,034</u>	<u>\$ 35,055</u>	<u>\$ 21</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 384,000	\$ 354,061	\$ 354,993	\$ 932
Intergovernmental Revenues	0	42,260	42,260	0
Total Revenues	<u>384,000</u>	<u>396,321</u>	<u>397,253</u>	<u>932</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	<u>397,253</u>	<u>397,253</u>	<u>397,253</u>	<u>0</u>
Total Expenditures	<u>397,253</u>	<u>397,253</u>	<u>397,253</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,253)	(932)	0	932
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (13,253)</u>	<u>\$ (932)</u>	<u>\$ 0</u>	<u>\$ 932</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	CITY HEALTH DISTRICT FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u></u>
Revenues:				
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
Fund Balance at Beginning of Year	<u>1,664</u>	<u>1,664</u>	<u>1,664</u>	<u>0</u>
Fund Balance at End of Year	<u><u>\$ 1,664</u></u>	<u><u>\$ 1,664</u></u>	<u><u>\$ 1,664</u></u>	<u><u>\$ 0</u></u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 68,679	\$ 68,679	\$ 66,962	\$ (1,717)
Total Revenues	<u>68,679</u>	<u>68,679</u>	<u>66,962</u>	<u>(1,717)</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	64,234	60,103	58,083	2,020
Operations and Maintenance	4,445	4,445	1,796	2,649
Capital Outlay	0	6,001	6,001	0
Total Expenditures	<u>68,679</u>	<u>70,549</u>	<u>65,880</u>	<u>4,669</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(1,870)	1,082	2,952
Fund Balance at Beginning of Year	<u>21,333</u>	<u>21,333</u>	<u>21,333</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 21,333</u>	<u>\$ 19,463</u>	<u>\$ 22,415</u>	<u>\$ 2,952</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 35,000	\$ 35,000	\$ 36,583	\$ 1,583
Total Revenues	<u>35,000</u>	<u>35,000</u>	<u>36,583</u>	<u>1,583</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	<u>202,000</u>	<u>202,000</u>	<u>75,001</u>	<u>126,999</u>
Total Expenditures	<u>202,000</u>	<u>202,000</u>	<u>75,001</u>	<u>126,999</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(167,000)	(167,000)	(38,418)	128,582
Fund Balance at Beginning of Year	<u>203,258</u>	<u>203,258</u>	<u>203,258</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 36,258</u>	<u>\$ 36,258</u>	<u>\$ 164,840</u>	<u>\$ 128,582</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 4,000	\$ 4,000	\$ 3,915	\$ (85)
Total Revenues	<u>4,000</u>	<u>4,000</u>	<u>3,915</u>	<u>(85)</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,000	4,000	3,915	(85)
Fund Balance at Beginning of Year	<u>51,482</u>	<u>51,482</u>	<u>51,482</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 55,482</u>	<u>\$ 55,482</u>	<u>\$ 55,397</u>	<u>\$ (85)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 150,000	\$ 150,000	\$ 145,944	\$ (4,056)
Total Revenues	<u>150,000</u>	<u>150,000</u>	<u>145,944</u>	<u>(4,056)</u>
Expenditures:				
General Government:				
Operations and Maintenance	<u>272,306</u>	<u>272,306</u>	<u>135,631</u>	<u>136,675</u>
Total Expenditures	<u>272,306</u>	<u>272,306</u>	<u>135,631</u>	<u>136,675</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(122,306)	(122,306)	10,313	132,619
Fund Balance at Beginning of Year	94,785	94,785	94,785	0
Prior Year Encumbrances	<u>32,306</u>	<u>32,306</u>	<u>32,306</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 4,785</u>	<u>\$ 4,785</u>	<u>\$ 137,404</u>	<u>\$ 132,619</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 113,000	\$ 113,000	\$ 126,866	\$ 13,866
Total Revenues	<u>113,000</u>	<u>113,000</u>	<u>126,866</u>	<u>13,866</u>
Expenditures:				
General Government:				
Capital Outlay	220,588	220,588	58,676	161,912
Total Expenditures	<u>220,588</u>	<u>220,588</u>	<u>58,676</u>	<u>161,912</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(107,588)	(107,588)	68,190	175,778
Fund Balance at Beginning of Year	152,246	152,246	152,246	0
Prior Year Encumbrances	588	588	588	0
Fund Balance at End of Year	<u>\$ 45,246</u>	<u>\$ 45,246</u>	<u>\$ 221,024</u>	<u>\$ 175,778</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Charges for Services	\$ 0	\$ 0	\$ 11,235	\$ 11,235
Total Revenues	<u>0</u>	<u>0</u>	<u>11,235</u>	<u>11,235</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	11,235	11,235
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 11,235</u>	<u>\$ 11,235</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 0	\$ 0	\$ 1,885	\$ 1,885
Fines and Forfeitures	0	0	126,073	126,073
Total Revenues	<u>0</u>	<u>0</u>	<u>127,958</u>	<u>127,958</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	0	0	19,915	(19,915)
Total Expenditures	<u>0</u>	<u>0</u>	<u>19,915</u>	<u>(19,915)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	108,043	108,043
Fund Balance at Beginning of Year	81,060	81,060	81,060	0
Fund Balance at End of Year	<u>\$ 81,060</u>	<u>\$ 81,060</u>	<u>\$ 189,103</u>	<u>\$ 108,043</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

COMMUNITY DEVELOPMENT BLOCK GRANT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 1,115,000	\$ 770,942	\$ 765,892	\$ (5,050)
Investment Earnings	3,000	3,000	2,418	(582)
All Other Revenues	31,200	18,200	16,820	(1,380)
Total Revenues	<u>1,149,200</u>	<u>792,142</u>	<u>785,130</u>	<u>(7,012)</u>
Expenditures:				
Community Environment:				
Operations and Maintenance	0	3,000	2,263	737
Capital Outlay	1,226,318	644,409	595,895	48,514
Total Community Environment	<u>1,226,318</u>	<u>647,409</u>	<u>598,158</u>	<u>49,251</u>
Debt Service:				
Principal Retirement	90,000	90,000	90,000	0
Interest and Fiscal Charges	39,299	39,299	39,299	0
Total Debt Service	<u>129,299</u>	<u>129,299</u>	<u>129,299</u>	<u>0</u>
Total Expenditures	<u>1,355,617</u>	<u>776,708</u>	<u>727,457</u>	<u>49,251</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(206,417)	15,434	57,673	42,239
Fund Balance at Beginning of Year	122,300	122,300	122,300	0
Prior Year Encumbrances	1,217	1,217	1,217	0
Fund Balance at End of Year	<u>\$ (82,900)</u>	<u>\$ 138,951</u>	<u>\$ 181,190</u>	<u>\$ 42,239</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003**

	STATE HIGHWAY FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:				
Intergovernmental Revenues	\$ 56,000	\$ 56,000	\$ 60,928	\$ 4,928
Investment Earnings	10,000	10,000	7,054	(2,946)
Total Revenues	<u>66,000</u>	<u>66,000</u>	<u>67,982</u>	<u>1,982</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	66,000	66,000	67,982	1,982
Fund Balance at Beginning of Year	<u>169,859</u>	<u>169,859</u>	<u>169,859</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 235,859</u>	<u>\$ 235,859</u>	<u>\$ 237,841</u>	<u>\$ 1,982</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2003***

	CEMETERY INTERMENT FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Charges for Services	\$ 35,000	\$ 35,000	\$ 31,656	\$ (3,344)
Investment Earnings	8,000	8,000	41,403	33,403
Total Revenues	<u>43,000</u>	<u>43,000</u>	<u>73,059</u>	<u>30,059</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	43,000	43,000	73,059	30,059
Other Financing Sources (Uses):				
Transfers In	27,000	27,000	23,216	(3,784)
Transfers Out	<u>(35,000)</u>	<u>(77,150)</u>	<u>(55,689)</u>	<u>21,461</u>
Total Other Financing Sources (Uses)	<u>(8,000)</u>	<u>(50,150)</u>	<u>(32,473)</u>	<u>17,677</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	35,000	(7,150)	40,586	47,736
Fund Balance at Beginning of Year	<u>209,476</u>	<u>209,476</u>	<u>209,476</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 244,476</u>	<u>\$ 202,326</u>	<u>\$ 250,062</u>	<u>\$ 47,736</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2003***

GENERAL BOND RETIREMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Debt Service:				
Principal Retirement	1,264,024	122,468	9,129	113,339
Interest and Fiscal Charges	60,000	60,000	60,000	0
Total Expenditures	<u>1,324,024</u>	<u>182,468</u>	<u>69,129</u>	<u>113,339</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,324,024)	(182,468)	(69,129)	113,339
Other Financing Sources (Uses):				
Transfers In	325,236	325,236	116,156	(209,080)
Transfers Out	(42,300)	0	0	0
Total Other Financing Sources (Uses)	<u>282,936</u>	<u>325,236</u>	<u>116,156</u>	<u>(209,080)</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(1,041,088)	142,768	47,027	(95,741)
Fund Balance at Beginning of Year	12,532	12,532	12,532	0
Fund Balance at End of Year	<u>\$ (1,028,556)</u>	<u>\$ 155,300</u>	<u>\$ 59,559</u>	<u>\$ (95,741)</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Special Assessments	\$ 40,360	\$ 40,360	\$ 41,006	\$ 646
Total Revenues	<u>40,360</u>	<u>40,360</u>	<u>41,006</u>	<u>646</u>
Expenditures:				
Debt Service:				
Principal Retirement	0	11,500	11,500	0
Interest and Fiscal Charges	0	17,800	17,800	0
Total Expenditures	<u>0</u>	<u>29,300</u>	<u>29,300</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	40,360	11,060	11,706	646
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	<u>\$ 40,360</u>	<u>\$ 11,060</u>	<u>\$ 11,706</u>	<u>\$ 646</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2003***

CAPITAL IMPROVEMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 204,760	\$ 204,760	\$ 228,949	\$ 24,189
Intergovernmental Revenues	0	201,340	201,340	0
All Other Revenues	0	147,044	86,282	(60,762)
Total Revenues	<u>204,760</u>	<u>553,144</u>	<u>516,571</u>	<u>(36,573)</u>
Expenditures:				
Capital Outlay	1,637,536	3,513,722	2,466,521	1,047,201
Debt Service:				
Principal Retirement	600,000	1,625,000	1,625,000	0
Interest and Fiscal Charges	0	57,410	57,410	0
Total Expenditures	<u>2,237,536</u>	<u>5,196,132</u>	<u>4,148,931</u>	<u>1,047,201</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,032,776)	(4,642,988)	(3,632,360)	1,010,628
Other Financing Sources (Uses):				
General Obligation Notes Issued	1,350,000	3,185,000	3,185,000	0
Transfers In	16,423,000	223,000	223,844	844
Total Other Financing Sources (Uses)	<u>17,773,000</u>	<u>3,408,000</u>	<u>3,408,844</u>	<u>844</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	15,740,224	(1,234,988)	(223,516)	1,011,472
Fund Balance at Beginning of Year	534,139	534,139	534,139	0
Prior Year Encumbrances	913,609	913,609	913,609	0
Fund Balance at End of Year	<u>\$ 17,187,972</u>	<u>\$ 212,760</u>	<u>\$ 1,224,232</u>	<u>\$ 1,011,472</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2003***

FIRE CAPITAL IMPROVEMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
Other Financing Sources (Uses):				
Transfers In	100,000	100,000	0	(100,000)
Total Other Financing Sources (Uses)	100,000	100,000	0	(100,000)
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	100,000	100,000	0	(100,000)
Fund Balance at Beginning of Year	100,000	100,000	100,000	0
Fund Balance at End of Year	<u>\$ 200,000</u>	<u>\$ 200,000</u>	<u>\$ 100,000</u>	<u>\$ (100,000)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Funds
For the Year Ended December 31, 2003***

CEMETERY TRUST FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:				
Charges for Services	\$ 60,000	\$ 33,000	\$ 36,595	\$ 3,595
Investment Earnings	32,000	32,000	15,411	(16,589)
Total Revenues	<u>92,000</u>	<u>65,000</u>	<u>52,006</u>	<u>(12,994)</u>
Expenditures:				
Debt Service:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	92,000	65,000	52,006	(12,994)
Other Financing Sources (Uses):				
Transfers Out	(62,000)	(62,000)	(30,658)	31,342
Total Other Financing Sources (Uses)	<u>(62,000)</u>	<u>(62,000)</u>	<u>(30,658)</u>	<u>31,342</u>
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	30,000	3,000	21,348	18,348
Fund Balance at Beginning of Year	<u>710,763</u>	<u>710,763</u>	<u>710,763</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 740,763</u>	<u>\$ 713,763</u>	<u>\$ 732,111</u>	<u>\$ 18,348</u>

Internal Service Funds

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

Utility Collections 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.

CITY OF LANCASTER, OHIO

**Combining Statement of Net Assets
Internal Service Funds
December 31, 2003**

	Utilities Collection	Electrical	Information Services	Health Insurance Management	Total
Assets:					
<i>Current Assets:</i>					
Cash and Cash Equivalents	\$ 594,568	\$ 254,355	\$ 12,766	\$ 105,686	\$ 967,375
Receivables:					
Accounts	0	1,750	0	0	1,750
Inventory of Supplies at Cost	34,030	137,926	12,355	0	184,311
Prepaid Items	515	2,056	0	502,200	504,771
<i>Total Current Assets</i>	629,113	396,087	25,121	607,886	1,658,207
<i>Non Current Assets:</i>					
Capital Assets Being Depreciated, Net	141,106	394,995	41,427	0	577,528
Total Assets	770,219	791,082	66,548	607,886	2,235,735
Liabilities:					
<i>Current Liabilities:</i>					
Accounts Payable	42,302	5,025	1,865	725	49,917
Accrued Wages and Benefits	57,110	34,006	8,198	0	99,314
Claims Payable	0	0	0	413,637	413,637
Capital Lease Payable-Current	0	673	0	0	673
<i>Total Current Liabilities</i>	99,412	39,704	10,063	414,362	563,541
<i>Long Term Liabilities:</i>					
Capital Leases Payable	0	1,418	0	0	1,418
Compensated Absences Payable	229,673	109,802	17,454	0	356,929
Total Liabilities	329,085	150,924	27,517	414,362	921,888
Net Assets:					
Invested in Capital Assets, Net of Related Debt	141,106	392,904	41,427	0	575,437
Unrestricted	300,028	247,254	(2,396)	193,524	738,410
Total Net Assets	\$ 441,134	\$ 640,158	\$ 39,031	\$ 193,524	\$ 1,313,847

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended December 31, 2003**

	Utilities Collection	Electrical	Information Services	Health Insurance Management	Total
Operating Revenues:					
Charges for Services	\$ 1,264,000	\$ 807,650	\$ 206,917	\$ 4,963,078	\$ 7,241,645
Other Operating Revenue	4,651	17,098	300	0	22,049
Total Operating Revenues	1,268,651	824,748	207,217	4,963,078	7,263,694
Operating Expenses:					
Personal Services	1,054,446	633,333	149,753	4,375,375	6,212,907
Contractual Services	233,028	88,128	22,478	0	343,634
Materials and Supplies	117,489	83,541	19,224	0	220,254
Depreciation	32,189	82,853	6,579	0	121,621
Total Operating Expenses	1,437,152	887,855	198,034	4,375,375	6,898,416
Operating Income (Loss)	(168,501)	(63,107)	9,183	587,703	365,278
Nonoperating Revenue (Expenses):					
Loss on Disposal of Fixed Assets	0	(28,204)	0	0	(28,204)
Total Nonoperating Revenues (Expenses)	0	(28,204)	0	0	(28,204)
Income(Loss) Before Operating Transfers	(168,501)	(91,311)	9,183	587,703	337,074
Change in Net Assets	(168,501)	(91,311)	9,183	587,703	337,074
Net Assets Beginning of Year	609,635	731,469	29,848	(394,179)	976,773
Net Assets End of Year	\$ 441,134	\$ 640,158	\$ 39,031	\$ 193,524	\$ 1,313,847

CITY OF LANCASTER, OHIO

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2003**

	Utilities Collection	Electrical	Information Services	Health Insurance Management	Totals
Cash Flows from Operating Activities:					
Cash Received from Customers	\$1,268,651	\$822,998	\$207,217	\$4,963,078	\$7,261,944
Cash Payments for Goods and Services	(320,764)	(188,628)	(45,909)	0	(555,301)
Cash Payments to and on behalf of Employees	(966,968)	(583,347)	(142,995)	(4,869,911)	(6,563,221)
Net Cash Provided (Used) by Operating Activities	(19,081)	51,023	18,313	93,167	143,422
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Assets	(6,539)	(2,980)	(21,739)	0	(31,258)
Capital Lease Payments	(17,569)	(632)	0	0	(18,201)
Net Cash Used for Capital and Related Financing Activities	(24,108)	(3,612)	(21,739)	0	(49,459)
Net Increase (Decrease) in Cash and Cash Equivalents	(43,189)	47,411	(3,426)	93,167	93,963
Cash and Cash Equivalents at Beginning of Year	637,757	206,944	16,192	12,519	873,412
Cash and Cash Equivalents at End of Year	\$594,568	\$254,355	\$12,766	\$105,686	\$967,375
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	(\$168,501)	(\$63,107)	\$9,183	\$587,703	\$365,278
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	32,189	82,853	6,579	0	121,621
Changes in Assets and Liabilities:					
Increase in Accounts Receivable	0	(1,750)	0	0	(1,750)
Increase in Inventory	(9,820)	(11,806)	(242)	0	(21,868)
(Increase) Decrease in Prepaid Items	20	(690)	0	(465,066)	(465,736)
Increase (Decrease) in Accounts Payable	39,321	(4,517)	(3,965)	(12)	30,827
Decrease in Accrued Wages and Benefits	(5,625)	(4,237)	(787)	0	(10,649)
Increase in Compensated Absences	93,335	54,277	7,545	0	155,157
Decrease in Claims Payable	0	0	0	(29,458)	(29,458)
Total Adjustments	149,420	114,130	9,130	(494,536)	(221,856)
Net Cash Provided (Used) by Operating Activities	(19,081)	51,023	18,313	93,167	143,422

Fiduciary Funds

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

Agency Funds

Street Deposit Fund

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

Municipal Court Fund

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

Law Library Fund

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

CITY OF LANCASTER, OHIO

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2003**

	Balance December 31, 2002	Additions	Deductions	Balance December 31, 2003
<u>Street Deposit Fund</u>				
Assets:				
Cash and Cash Equivalents	\$2,700	\$600	(\$200)	\$3,100
Total Assets	<u>\$2,700</u>	<u>\$600</u>	<u>(\$200)</u>	<u>\$3,100</u>
Liabilities:				
Due to Others	\$2,700	\$600	(\$200)	\$3,100
Total Liabilities	<u>\$2,700</u>	<u>\$600</u>	<u>(\$200)</u>	<u>\$3,100</u>
<u>Municipal Court Fund</u>				
Assets:				
Cash with Fiscal Agent	\$88,410	\$3,264,130	(\$3,249,930)	\$102,610
Total Assets	<u>\$88,410</u>	<u>\$3,264,130</u>	<u>(\$3,249,930)</u>	<u>\$102,610</u>
Liabilities:				
Due to Other Funds	\$4,627	\$1,238,926	(\$1,240,161)	\$3,392
Intergovernmental Payable	0	956,354	(956,354)	0
Due to Others	83,783	1,068,850	(1,053,415)	99,218
Total Liabilities	<u>\$88,410</u>	<u>\$3,264,130</u>	<u>(\$3,249,930)</u>	<u>\$102,610</u>
<u>Law Library Fund</u>				
Assets:				
Cash and Cash Equivalents	\$0	\$61,526	(\$61,526)	\$0
Due from Other Funds	4,627	3,392	(4,627)	3,392
Total Assets	<u>\$4,627</u>	<u>\$64,918</u>	<u>(\$66,153)</u>	<u>\$3,392</u>
Liabilities:				
Intergovernmental Payable	\$4,627	\$64,918	(\$66,153)	\$3,392
Total Liabilities	<u>\$4,627</u>	<u>\$64,918</u>	<u>(\$66,153)</u>	<u>\$3,392</u>
<u>Totals - All Agency Funds</u>				
Assets:				
Cash and Cash Equivalents	\$91,110	\$3,326,256	(\$3,311,656)	\$105,710
Due from Other Funds	4,627	3,392	(4,627)	3,392
Total Assets	<u>\$95,737</u>	<u>\$3,329,648</u>	<u>(\$3,316,283)</u>	<u>\$109,102</u>
Liabilities:				
Due to Other Funds	\$4,627	\$1,238,926	(\$1,240,161)	\$3,392
Intergovernmental Payables	4,627	1,021,272	(1,022,507)	3,392
Due to Others	86,483	1,069,450	(1,053,615)	102,318
Total Liabilities	<u>\$95,737</u>	<u>\$3,329,648</u>	<u>(\$3,316,283)</u>	<u>\$109,102</u>

*CAPITAL ASSETS USED IN THE
OPERATION OF GOVERNMENTAL FUNDS*

CITY OF LANCASTER, OHIO

***Capital Assets Used in the Operation of Governmental Funds
Schedule by Source
December 31, 2003***

Capital Assets:

Land	\$11,186,168
Construction in Progress	1,373,726
Buildings	6,139,739
Improvements Other Than Buildings	5,575,717
Vehicles	4,510,943
Equipment	4,402,112
Infrastructure	<u>11,547,341</u>
Total Net Capital Assets	<u>\$44,735,746</u>

Net Investment in Capital Assets from:

General Fund	\$12,779,030
Special Revenue Funds	30,771,252
Proprietary Funds (Gas)	7,202
Donated	<u>1,178,262</u>
Total Net Investment in Capital Assets	<u>\$44,735,746</u>

CITY OF LANCASTER, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2003**

Function and Activity	Land	Construction in Progress	Buildings
<u>General Government:</u>			
Council	\$0	\$0	\$0
Mayor	0	0	0
Personnel	0	0	0
City Hall	80,327	0	772,500
Auditor	0	0	0
Income Tax	0	0	0
Treasurer	0	0	0
Safety Director	0	0	0
Engineer	0	0	0
Prosecutor	0	0	0
Court-Clerk	0	0	0
Court-Judicial	0	0	7,925
Court Electronic Surveillance	0	0	0
Electric - Internal Service	0	0	12,180
Information Services - Internal Service	0	0	0
Total	80,327	0	792,605
<u>Security of Persons and Property:</u>			
Police	141,962	0	2,010,264
Fire	25,600	34,201	234,473
Total	167,562	34,201	2,244,737
<u>Public Health and Welfare Services:</u>			
Public Health	0	0	0
Cemetery	14,897	0	40,730
Total	14,897	0	40,730
<u>Transportation:</u>			
Public Transit	0	0	0
Street Construction	8,882,740	1,339,525	292,521
Total	8,882,740	1,339,525	292,521
<u>Community Environment:</u>			
Community Development	0	0	0
Economic Development	0	0	0
Total	0	0	0
<u>Leisure Time Activities:</u>			
Park	2,040,642	0	2,769,146
Mumaugh	0	0	0
Total	2,040,642	0	2,769,146
Total Capital Assets	\$11,186,168	\$1,373,726	\$6,139,739

CITY OF LANCASTER, OHIO

Improvements Other Than Buildings	Vehicles	Equipment	Infrastructure	Total
\$0	\$0	\$2,422	\$0	\$2,422
0	0	4,150	0	4,150
0	0	8,763	0	8,763
2,504,292	0	130,288	0	3,487,407
0	0	56,897	0	56,897
3,630	0	52,695	0	56,325
0	0	3,404	0	3,404
0	13,655	54,796	0	68,451
0	82,788	155,930	0	238,718
10,750	0	62,367	0	73,117
21,276	0	443,553	0	464,829
47,897	0	75,727	0	131,549
0	0	14,172	0	14,172
10,972	322,548	200,469	916,566	1,462,735
0	10,721	62,188	0	72,909
<u>2,598,817</u>	<u>429,712</u>	<u>1,327,821</u>	<u>916,566</u>	<u>6,145,848</u>
128,897	598,840	726,203	0	3,606,166
<u>485,788</u>	<u>1,557,255</u>	<u>703,871</u>	<u>0</u>	<u>3,041,188</u>
<u>614,685</u>	<u>2,156,095</u>	<u>1,430,074</u>	<u>0</u>	<u>6,647,354</u>
0	31,191	93,483	0	124,674
<u>96,259</u>	<u>125,178</u>	<u>210,306</u>	<u>0</u>	<u>487,370</u>
<u>96,259</u>	<u>156,369</u>	<u>303,789</u>	<u>0</u>	<u>612,044</u>
0	350,105	0	0	350,105
<u>29,592</u>	<u>1,030,654</u>	<u>876,932</u>	<u>10,630,775</u>	<u>23,082,739</u>
<u>29,592</u>	<u>1,380,759</u>	<u>876,932</u>	<u>10,630,775</u>	<u>23,432,844</u>
0	0	52,263	0	52,263
<u>0</u>	<u>0</u>	<u>10,476</u>	<u>0</u>	<u>10,476</u>
<u>0</u>	<u>0</u>	<u>62,739</u>	<u>0</u>	<u>62,739</u>
2,230,624	388,008	397,873	0	7,826,293
<u>5,740</u>	<u>0</u>	<u>2,884</u>	<u>0</u>	<u>8,624</u>
<u>2,236,364</u>	<u>388,008</u>	<u>400,757</u>	<u>0</u>	<u>7,834,917</u>
<u>\$5,575,717</u>	<u>\$4,510,943</u>	<u>\$4,402,112</u>	<u>\$11,547,341</u>	<u>\$44,735,746</u>

CITY OF LANCASTER, OHIO

**Capital Assets Used in the Operation of Governmental Funds
Schedule Changes by Function and Activity
For Year Ended December 31, 2003**

Function and Activity	December 31, 2002	Additions	Deletions	December 31, 2003
<u>General Government:</u>				
Council	\$2,422	\$0	\$0	\$2,422
Mayor	4,150	0	0	4,150
Personnel	8,763	0	0	8,763
City Hall	2,845,843	1,442,797	(801,233)	3,487,407
Auditor	58,140	0	(1,243)	56,897
Income Tax	56,325	0	0	56,325
Treasurer	3,404	0	0	3,404
Safety Director	68,451	0	0	68,451
Engineer	208,248	30,470	0	238,718
Prosecutor	59,051	14,066	0	73,117
Court-Clerk	449,704	15,125	0	464,829
Court-Judicial	131,549	0	0	131,549
Court-Electronic Surveillance	14,172	0	0	14,172
Electric - Internal Service	1,581,968	2,980	(122,213)	1,462,735
Information Services - Internal Service	53,799	19,110	0	72,909
Total	<u>5,545,989</u>	<u>1,524,548</u>	<u>(924,689)</u>	<u>6,145,848</u>
<u>Security of Persons and Property:</u>				
Police	3,729,657	165,213	(288,704)	3,606,166
Fire	3,030,593	140,939	(130,344)	3,041,188
Total	<u>6,760,250</u>	<u>306,152</u>	<u>(419,048)</u>	<u>6,647,354</u>
<u>Public Health and Welfare Services:</u>				
Public Health	124,674	0	0	124,674
Cemetery	477,016	10,354	0	487,370
Total	<u>601,690</u>	<u>10,354</u>	<u>0</u>	<u>612,044</u>
<u>Transportation:</u>				
Public Transit	195,564	154,541	0	350,105
Street Construction	20,865,410	2,217,329	0	23,082,739
Total	<u>21,060,974</u>	<u>2,371,870</u>	<u>0</u>	<u>23,432,844</u>
<u>Community Environment:</u>				
Community Development	52,263	0	0	52,263
Economic Development	10,476	0	0	10,476
Total	<u>62,739</u>	<u>0</u>	<u>0</u>	<u>62,739</u>
<u>Leisure Time Activities:</u>				
Park	7,508,137	318,156	0	7,826,293
Mumaugh	8,624	0	0	8,624
Total	<u>7,516,761</u>	<u>318,156</u>	<u>0</u>	<u>7,834,917</u>
Total Capital Assets	<u><u>\$41,548,403</u></u>	<u><u>\$4,531,080</u></u>	<u><u>(\$1,343,737)</u></u>	<u><u>\$44,735,746</u></u>

STATISTICAL SECTION



STATISTICAL TABLES

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

CITY OF LANCASTER, OHIO

**GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN YEARS**
(Amounts in Thousands)

Year	Security of Persons and Property	Public Health and Welfare	Leisure Time Activities	Community Environment	Transportation	General Government	(1) Miscellaneous	Total
1994	\$9,032	\$1,113	\$978	\$821	\$2,049	\$3,002	\$99	\$17,094
1995	9,341	1,287	1,023	705	2,221	4,128	22	18,727
1996	9,650	1,359	1,066	488	2,171	3,828	14	18,576
1997	9,460	1,293	1,140	781	2,330	3,606	8	18,618
1998	10,292	1,369	1,253	1,055	2,337	3,783	6	20,095
1999	10,824	1,545	1,277	2,541	3,205	4,318	121	23,831
2000	11,299	1,674	1,394	811	3,278	4,445	292	23,193
2001	11,601	1,656	1,853	606	3,273	5,113	243	24,345
2002	12,690	1,140	1,474	958	3,062	5,247	291	24,862
2003	13,040	825	1,598	818	3,604	5,791	228	25,904

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

(1) Includes Debt Retirement.

CITY OF LANCASTER, OHIO

GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN YEARS
 (Amounts in Thousands)

Year	Taxes	Inter-Governmental Revenues	Charges for Services	Licenses, Permits and Fees	Investment Earnings	Special Assessments	Fines and Forfeitures	All Other Revenue	Total
1994	\$9,431	\$4,268	\$933	\$49	\$577	\$0	\$842	\$48	\$16,148
1995	9,747	4,444	1,115	59	833	0	803	486	17,487
1996	10,095	4,458	1,192	70	749	0	843	714	18,121
1997	10,975	5,306	1,253	77	837	0	810	773	20,031
1998	12,174	5,735	1,665	132	961	0	827	918	22,412
1999	12,797	6,125	2,043	22	1,070	0	839	359	23,255
2000	13,173	6,212	2,205	31	1,357	0	903	618	24,499
2001	13,680	6,267	2,124	17	981	216	1,085	270	24,640
2002	14,285	6,359	2,141	19	459	37	1,214	296	24,810
2003	15,089	5,809	2,335	25	364	41	1,310	210	25,183

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

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
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%
2003	1,997,454	1,884,789	66,643	1,951,432	97.70%	101,531	5.08%

Source: Fairfield County Auditor

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	
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%
2003	562,148,300	1,606,138,000	16,280,240	46,514,971	91,021,282	364,085,128	669,449,822	2,016,738,099	33.19%

Source: Fairfield County Auditor

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				
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
2003	2.80	0.60	3.40	64.60	7.05	75.05

Source: Fairfield County Auditor
Fairfield County Treasurer

CITY OF LANCASTER, OHIO

**SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS
LAST TEN YEARS**

Collection Year	Amount Billed	Amount Collected	Percent Collected
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%
2003	38,170	37,214	97.50%

Source: Fairfield County Auditor

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

CITY OF LANCASTER, OHIO

**COMPUTATION OF LEGAL DEBT MARGIN
DECEMBER 31, 2003**

	<u>Total Debt</u>	<u>Unvoted Debt</u>
Net Assessed Valuation	\$669,449,822	\$669,449,822
Legal Debt Limitation (%) (1)	10.50%	5.50%
Legal Debt Limitation (\$) (1)	70,292,231	36,819,740
Applicable City Debt Outstanding (2)	3,185,000	3,185,000
Less: Applicable Debt Service Fund Amounts	<u>(59,559)</u>	<u>(59,559)</u>
Net Indebtedness Subject to Limitation	<u>3,125,441</u>	<u>3,125,441</u>
Legal Debt Margin	<u><u>\$67,166,790</u></u>	<u><u>\$33,694,299</u></u>

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

(2) City Debt Outstanding Includes Non Self-Supporting General Obligation Notes.
Enterprise Debt is Not Considered in the Computation of the Legal Debt Margin.

CITY OF LANCASTER, OHIO

**COMPUTATION OF ALL DIRECT AND OVERLAPPING GOVERNMENTAL DEBT
DECEMBER 31, 2003**

<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)	\$3,125,441	100.00%	\$3,125,441
Overlapping Subdivisions				
Lancaster City School District	(b)	0	81.38%	0
Fairfield County	(b)	11,350,000	26.75%	3,036,125
				<u>3,036,125</u>
				<u>\$6,161,566</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.

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>2003</u>
1994	35,808	114,738				
1995	36,195	117,556	Total Housing Units	15,186	15,891	16,275
1996	36,535	119,182				
1997	37,826	131,809	Owner Occupied	60%	59%	60%
1998	38,254	136,351				
1999	38,983	126,723	Vacancy Rate	5.2%	5.1%	6.5%
2000	a) 35,335	122,759				
2001	35,600	124,950				
2002	35,860	127,150				
2003	36,120	132,500				

Source: (1) Lancaster Community Development Department estimates.
a) U.S. Bureau of Census, Federal 2000 Census.

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
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%
2003	22,000	67,600	20,500	63,800	6.70%	6.00%	5.70%	5.70%

(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**

Year	Residential (1)		Commercial (1)		Bank Deposits (2) (in Thousands)
	Number of Permits	Property Value	Number of Permits	Property Value	
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
2003	150	22,961,571	11	31,040,000	387,312

(1) Source: City of Lancaster Engineering Department.

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

CITY OF LANCASTER, OHIO

**PRINCIPAL TAXPAYERS (PERSONAL PROPERTY TAX)
DECEMBER 31, 2003**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2003 Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1. Anchor Hocking Glass Consumer	Glass	\$15,505,160	17.03%
2. Ralcorp Holdings, Inc.	Food	7,015,530	7.71%
3. McDermott Inc.	Electronics	6,345,510	6.97%
4. Lancaster Glass	Glass	2,711,140	2.98%
5. SQM North America Corp.	Chemical	2,368,450	2.60%
6. Crown Cork and Seal Company	Glass Closures	2,099,930	2.31%
7. Scotts Miracle Gro	Horticulture	2,066,630	2.27%
8. International Paper	Paper	1,641,100	1.80%
9. Massachusetts Cablevision	Cable	1,600,640	1.76%
10. Lowes Home Co.	Retail Home Improvement	1,517,360	1.67%
	Subtotal	42,871,450	47.10%
	All Others	48,149,832	52.90%
	Total	<u>\$91,021,282</u>	<u>100.00%</u>

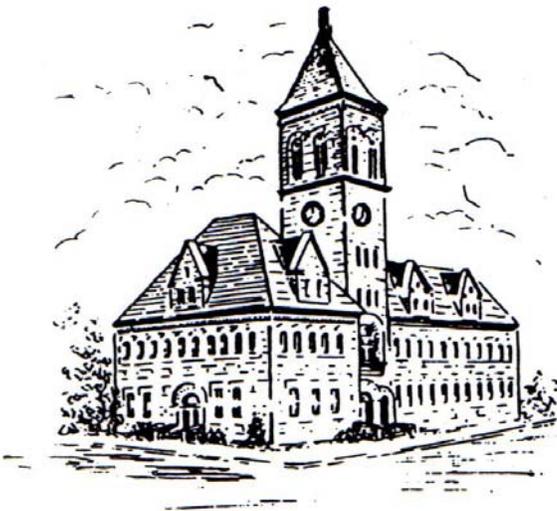
Based on valuation of property taxes levied in 2003.
Source: Fairfield County Auditor - Land and Buildings.

CITY OF LANCASTER, OHIO

**PRINCIPAL TAXPAYERS (REAL PROPERTY AND PUBLIC UTILITY PERSONAL PROPERTY TAX)
DECEMBER 31, 2003**

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2003 Assessed Valuation (Tax Duplicate)</u>	<u>Percentage of Total Assessed Valuation</u>
1. Glimcher Holdings	Property	\$18,902,590	3.27%
2. Ohio Power Company	Utility - Electric	10,943,310	1.89%
3. Anchor Hocking Glass Corporation	Glass	5,289,150	0.91%
4. RP River Valley LLC	Property	4,705,010	0.81%
5. Ohio Bell Telephone Company	Utility - Telephone	4,587,890	0.79%
6. Lancaster Phase One Group	Property	3,982,800	0.69%
7. Plaza Inc A New York Group	Property	3,279,800	0.57%
8. Hocking Valley Mall LLC	Retail	3,147,690	0.54%
9. Lowes Home Centers Inc	Retail Home Improvement	2,728,170	0.47%
10. Riverview Medical Office	Health	2,529,040	0.44%
	Subtotal	60,095,450	10.38%
	All Others	518,333,090	89.62%
	Total	<u>\$578,428,540</u>	<u>100.00%</u>

Based on valuation of property taxes collected in 2003.
Source: Fairfield County Auditor - Land and Buildings.





**Auditor of State
Betty Montgomery**

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Columbus, Ohio 43216-1140

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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 21, 2004**