

CITY OF LANCASTER, OHIO

ANNUAL INFORMATION FILING FOR FISCAL YEAR 2020

The following provides, in accordance with the continuing disclosure agreements (the “Continuing Disclosure Agreements”) entered into by the City of Lancaster, Ohio (the “City”), annual financial information and operating data for the City’s fiscal year ended December 31, 2020 (“Fiscal Year 2020”), of the type included in the respective final official statements for its primary offerings and issuances of:

Amount of Issue	Name of Issue	Date of Issue	Final Maturity
\$2,800,000	Street Improvement Bonds, Series 2010	10/13/2010	12/01/2022
\$5,795,000	Water System Revenue Refunding Bonds, Series 2012	06/14/2012	12/01/2029
\$3,680,000	Wastewater System Revenue Refunding Bonds, Series 2012	06/14/2012	12/01/2029
\$8,315,000	Courthouse Improvement Bonds, Series 2014	06/24/2014	12/01/2043
\$2,380,000	Various Purpose Refunding Bonds, Series 2014 (Tax-Exempt)	09/17/2014	12/01/2024
\$1,035,000	Real Estate Acquisition and Improvement Bonds, Series 2014 (Federally Taxable)	09/17/2014	12/01/2024
\$15,395,000	Wastewater System Refunding Revenue Bonds, Series 2016	06/01/2016	12/01/2033

The applicable CUSIP numbers are 514246, 514271, 51427C and 51427R.

The City is also providing annual financial information and operating data for Fiscal Year 2020 of the type included in the respective final official statements for its primary offerings and issuances by the Lancaster Port Authority in accordance with the continuing disclosure agreements entered into by the City:

Amount of Issue	Name of Issue	Date of Issue	Final Maturity
\$300,065,000	Gas Supply Revenue Refunding Bonds, Series 2019	05/21/2019	2049

The applicable CUSIP number is 514401.

The Annual Information Filing constitutes only the annual financial information and operating data agreed to be provided under the Continuing Disclosure Agreements entered into at the time of the primary offerings referenced above. No representation is made as to the materiality or completeness of that information. Other relevant information for Fiscal Year 2020 may exist, and matters may have occurred or become known during or since that period, which an investor would consider to be important when making an investment decision. Further, no representation is made that the Annual Information Filing is indicative of financial or operating results of the City since the end of Fiscal Year 2020 or future financial or operating results. Finally, the inclusion of certain information pertaining to post-Fiscal Year 2020 events, if any, is provided solely for convenience, and is not intended to suggest that other such information not so included is any less material or important to an investor.

September 14, 2021

CITY OF LANCASTER, OHIO

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INTRODUCTORY STATEMENT

The City entered into the Continuing Disclosure Agreements pursuant to SEC Rule 15c2-12 (the “Rule”) in connection with the primary offerings and issuances by the City of the bond issues identified on the cover page (collectively, the “Bonds”). The Continuing Disclosure Agreements require the City to provide annually financial information and operating data for its immediately preceding Fiscal Year of the type included in the final official statements for those offerings (collectively, the “Official Statements”). This Annual Information Filing provides such financial information and operating data for the City’s Fiscal Year ended December 31, 2020.

All financial and other information in this Annual Information Filing has been provided by the City from its records, except for information expressly attributed to other sources. More complete information regarding laws, reports and documents referenced in this Annual Information Filing may be obtained by reviewing those laws, reports and documents. Subject to limited exceptions, records of the City are available for public inspection and copies may be obtained at cost upon request. Questions regarding information contained in this Annual Information Filing and requests for copies of documents should be directed to the Director of Finance of the City at the address shown on the cover. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historical information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the City. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or otherwise be predictive of future experience. The information and expressions of opinion herein are subject to change without notice. The delivery of this Annual Information Filing shall not, under any circumstances, give rise to any implication that the affairs of the City have not changed since the date of this Annual Information Filing.

The City’s audited basic financial statements for Fiscal Year 2020 are not yet available and will be filed with the Municipal Securities Rulemaking Board (MSRB) in an electronic format prescribed by the MSRB using the MSRB’s Electronic Municipal Market Access (EMMA) platform promptly after they have been made available by the Ohio Auditor of State (OAS) on the internet address of the OAS, currently <http://www.auditor.state.oh.us>. Unaudited basic financial statements of the City for Fiscal Year 2020 are attached as **Appendix C** (the “Unaudited Fiscal Year 2020 Financial Statements”).

As used in this Annual Information Filing:

- “Council” means the City Council of the City.
- “County” means Fairfield County.
- “County Auditor” means the Auditor of the County.
- “Debt charges” means the principal (including any mandatory sinking fund deposits and mandatory redemption payments) and interest payable on the obligations referred to as those payments come due and are payable; debt charges may also be referred to as “debt service.”

- “Fiscal Year” means the 12-month period ending December 31, and reference to a particular Fiscal Year (such as “Fiscal Year 2020”) means the Fiscal Year ending on December 31 in that year.
- “Revised Code” means the Ohio Revised Code.
- “State” or “Ohio” means the State of Ohio.

COVID-19 PANDEMIC

The spread of the strain of coronavirus commonly known as COVID-19 (“COVID-19” or the “Pandemic”) began altering the behavior of businesses and people early in 2020 in a manner that had, and continues to have, negative effects on global, state and local economies and, in turn, on state and local governments and their revenues and expenses.

In response to the COVID-19 outbreak, the City has been and continues to actively monitor its revenue collections, and has implemented certain mitigation and expense reduction measures, including but not necessarily limited to (i) deferring non-essential discretionary spending, (ii) limiting approvals of contracts and task orders to those that are essential to key capital projects and critical tasks, (iii) limiting overtime to those activities that are necessary for safety, critical operations, or emergency management, and (iv) furloughs or reduced work schedules for certain employees. The amounts of the reductions (and any offsets) in any local tax sources, additional grant assistance received as well as both Pandemic-related expenses and operational cost savings resulting from an increase in unemployment experienced by the City in Fiscal Year 2020, are all taken into account in the information provided in this Annual Information Filing. See **OTHER MAJOR GENERAL FUND REVENUE SOURCES – Municipal Income Tax and Appendices A and B.**

As a part of its response to the Pandemic, the federal government has provided and continues to provide certain assistance under the Coronavirus Aid, Relief, and Economic Security (CARES) Act and other legislation to assist states in addressing the adverse impact that COVID-19 was having, and continues to have, on local governments across the nation. The State, in turn, began allocating such assistance it received and other available grant assistance to Ohio local governments in Fiscal Year 2020. The City set aside a portion of the CARES Act monies to assist local businesses who were impacted due to the Pandemic.

The City has been awarded approximately \$3.1 million in 2020 CARES Act local coronavirus relief monies from the State which have been and will be used to cover eligible expenses used to prevent the spread of COVID-19. The COVID-19 outbreak has not materially impacted the City’s real property tax or local government fund receipts.

The City is estimated to receive approximately \$12.5 million from the American Rescue Plan Act, with half of those dollars to be received in 2021 and half in 2022. As more details become available, City staff will identify appropriate projects to recommend to the Council for use of those funds. The Director of Finance will also submit for reimbursement any eligible lost revenue in 2020 and 2021 as an additional use of the ARPA funding.

There can be no assurance concerning the Pandemic’s full effect on the City’s finances or operations, including on subsequent levels of other State and federal assistance.

THE WATER UTILITY

Existing Facilities

The facilities of the City’s water treatment and distribution system (the “Water Utility”) consist of two water treatment plants, five storage tanks, two wellfields, two booster stations and water lines.

Service Area and Users

The Water Utility is the only supplier of water service in the City, and the City requires all businesses and residences located in the City to connect to the Water Utility. As of December 31, 2020, the Water Utility served 15,577 users within the City and 129 users outside of the City. The total number and percentages of users by category are estimated to be: 14,217 (90.52%) residential; 1,287 (8.19%) commercial/institutional; 73 (0.47%) industrial; and 128 (0.82%) outside the City.

TreeHouse Foods (formerly Ralston Foods) (3.80%), EveryWare Global, Inc. (formerly Anchor Hocking Corp.) (4.82%), Fairfield Medical Center (2.26%), ZWO Recycling (1.95%) and Fairfield County Commissioner (1.28%) were the largest users by volume in 2020 and were the only users whose volume usage equaled or exceeded 1% of the total user volume in that year. The percentage of user volume by each category of users for 2020 was as follows:

2020 User Volume

Category	Cubic Feet (00s)
Residential	874,118
Commercial/Institutional	215,547
Industrial	166,426
Outside City	<u>7,814</u>
Total	1,263,905

Employees

Thirty-nine people are employed in the operation of the Water Utility, of which 19 are employed at the water treatment plants and wellfields and 20 provide maintenance and repair services. All of those employees are under the direct supervision of the Water and Wastewater Superintendent.

Of the full-time employees of the Water Utility, 33 are represented by American Federation of State County and Municipal Employees (“AFSCME”), Ohio Council 8, and their contract expired on December 31, 2020. A new contract is currently being negotiated. Historically, the relations between the City and that bargaining unit have been considered good. There have been no work stoppages or related disruptions since at least 1980.

Historical Operating Results

The following summarizes recent Fiscal Year operating results of the Water Utility.

	2016	2017	2018	2019	2020
Revenues:					
Operating Revenues	\$8,126,427	\$8,201,619	\$8,222,914	\$8,277,282	\$8,558,748
Non-Operating Revenues	579,855	690,603	836,439	559,803	1,185,754
Total Revenues	\$8,706,282	\$8,892,222	\$9,059,353	\$8,837,085	\$9,744,502
Expenditures:					
Operation & Maintenance	\$5,670,638	\$5,909,450	\$6,089,289	\$6,076,330	\$6,427,489
Capital Improvements	240,000	240,000	125,000	158,850	185,000
Debt charges	2,363,243	2,297,660	2,380,525	2,394,949	2,405,269
Total Expenditures	\$8,273,881	\$8,447,110	\$8,594,814	\$8,630,129	\$9,017,758
Revenues Over (Under)					
Expenditures	\$ 432,401	\$ 445,112	\$ 464,539	\$ 206,956	\$ 726,744
Balance:					
January 1	\$2,553,816	\$2,986,217	\$3,431,329	\$3,895,868	\$2,360,165
December 31	\$2,986,217	\$3,431,329	\$3,895,868	\$4,102,824	\$3,204,927

Water Rates

As provided by law and the City's ordinances, the Director of Public Service has authority to establish water rates. The Director of Public Service, as that official may be advised by the Water and Wastewater Superintendent, revises those rates when and as determined necessary to pay the expenses of conducting and managing the Water Utility, including operating expenses and the costs of permanent improvements.

Present monthly water rates are \$5.25 per 100 cubic feet for residential users; \$5.25 for first 100 cubic feet, \$4.62 per 101 to 250 cubic feet, \$3.88 per 251 to 2,500 cubic feet, \$3.51 for greater than 2,501 cubic feet for industrial and commercial users; and \$7.03 per 100 cubic feet for users located outside of the City. In addition, all users also pay a monthly wellhead protection charge and a monthly charge based on size of user's meter. New users of the Water Utility pay a one-time water capacity fee.

In setting rates and charges for the Water Utility, the City is bound by the Water Rate Covenant in the Trust Agreement (the "Water Trust Agreement"), and those water rates and charges are to be revised when necessary to comply with that covenant.

Monthly Water Rates and Charges

The current monthly rates and charges for the Water Utility are as follows:

	Meter Size	Meter Charge	Wellhead Protection	Rate Per 100 Cubic Feet
Residential	5/8 inch	\$10.74	\$0.50	\$5.25
	3/4 inch	12.11	0.75	5.25
	1 inch	14.83	1.00	5.25
	1-1/2 inch	17.73	2.00	5.25
Outside Corp	5/8 inch	\$16.11	\$0.50	\$7.03
	3/4 inch	18.75	0.75	7.03
	1 inch	22.25	1.00	7.03
	1-1/2 inch	26.60	2.00	7.03
	2 inch	33.99	3.00	7.03
	3 inch	38.90	3.00	7.03
	4 inch	47.16	3.00	7.03
	6 inch	57.86	3.00	7.03
Commercial and Industrial	5/8 inch	\$10.78	\$0.50	(a)
	3/4 inch	12.11	0.75	(a)
	1 inch	14.83	1.00	(a)
	1-1/2 inch	17.73	2.00	(a)
	2 inch	22.66	3.00	(a)
	3 inch	25.93	3.00	(a)
	4 inch	31.44	4.00	(a)
	6 inch	38.57	6.00	(a)
	8 inch	58.52	8.00	(a)
	10 inch	94.19	10.00	(a)
	12 inch	117.17	10.00	(a)

(a) Water rates for commercial and industrial users are \$5.25 for the first 100 cubic feet, \$4.62 for 101 to 250 cubic feet, \$3.88 for 251 to 2,500 cubic feet and \$3.51 for greater than 2,500 cubic feet. Water rates are not tied to the meter size.

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Water Capacity Fees

The current one-time capacity fees charged to new users of the Water Utility are as follows:

Meter Size	Inside City		Outside City	
	Domestic Use	Fire Protection	Domestic Use	Fire Protection
3/4-inch	\$3,690	(a)	\$5,535	(a)
1-inch	6,149	\$778	9,224	\$1,167
1-1/2-inch	12,299	1,750	18,449	2,625
2-inch	19,678	3,111	29,517	4,647
4-inch	61,493	12,445	92,240	18,670
6-inch	112,986	28,000	184,479	42,000
8-inch	221,375	49,750	332,063	74,500
10-inch	356,660	(b)	534,990	(b)
12-inch	528,840	(b)	793,260	(b)

(a) Fire protection not available with 3/4-inch meters.

(b) Fee to be negotiated with user.

Billing; Delinquent Water Utility Bills

Bills to users of the Water Utility are mailed monthly on a combined bill of the Water Utility, the Wastewater Utility and the storm, sanitation and gas utilities. The City adds a 5% surcharge to all Water Utility bills not paid by 23 days after the billing date. If those bills remain unpaid for another 30 days, the Water Utility mails a termination notice to the user and service may thereafter be terminated. If service is terminated, it will not be restored until the bill is paid.

If such bills (and penalties) due from owner-occupied properties are not paid within 120 days after they become due and payable, they may be certified to the County Auditor to be placed on the tax duplicate together with the interest and penalties allowed by law, to be collected as other taxes are collected.

As of December 31, 2020, 2,004 Water Utility accounts (representing 11.18% of all the accounts), totaling \$96,339.90 (representing 17.49% of amounts payable) were delinquent for more than 29 days, and 413 accounts (representing 2.3% of all accounts), totaling \$35,502.00 (representing 6.44% of amounts payable) were delinquent for more than 116 days.

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Debt Charges Coverage

The following are the annual debt charges requirements on the 2012 Water Bonds:

Year	2012 Water Bonds		Total Debt Charges
	Principal ^(a)	Interest	
2021	\$370,000.00	\$146,631.26	\$516,631.26
2022	375,000.00	135,531.26	510,531.26
2023	390,000.00	123,812.50	513,812.50
2024	400,000.00	111,625.00	511,625.00
2025	410,000.00	99,125.00	509,125.00
2026	435,000.00	78,625.00	513,625.00
2027	455,000.00	56,875.00	511,875.00
2028	480,000.00	34,125.00	514,125.00
2029	495,000.00	17,325.00	512,325.00

(a) Includes mandatory sinking fund redemption requirements.

Based on the rates and charges currently established, the projected debt service on the Series 2012 Water Bonds and other Water obligations and the assumptions described below, the City projects that the Water Revenues, Operating Expenses, Net Revenues and Debt Coverage for the years 2021 through 2025 are as follows:

	2021	2022	2023	2024	2025
Revenues	\$9,664,780	\$9,664,780	\$9,664,780	\$9,664,780	\$9,858,076
Less: Operating Expenses	(6,303,917)	(6,429,995)	(6,558,600)	(6,689,772)	(6,823,567)
Net Revenues	\$3,360,863	\$3,234,785	\$3,106,180	\$2,975,008	\$3,034,509
Debt Charges on the Series 2012 Bonds	\$516,631	\$510,531	\$513,813	\$511,625	\$509,125
Debt Charges on Other Utility Indebtedness	1,955,084	1,717,563	759,930	8,857	8,857
Total Utility Debt Charges	\$2,471,715	\$2,228,094	\$1,273,743	\$520,482	\$517,982
Debt Coverage:					
Bonds	6.51	6.34	6.05	5.81	5.96
All Utility Debt	1.36	1.45	2.44	5.72	5.86

The projections of Water Revenues assumes a 1.1% annual growth and rate increases of 2% in 2021, 0% in 2022, 0% in 2023, 0% in 2024 and 2% in 2025. The projections of Operating Expenses assumes a 2% annual increase in Operating Expenses in 2021 through 2025.

Other Obligations Payable from Water Revenues

There is no general obligation debt of the City outstanding issued for improvements to the Water Utility. Debt service on future general obligation debt will be payable from ad valorem taxes, but that debt service may be paid from certain surplus water revenues. The City does have loans, payable only from water revenues, from the Ohio Water Development Authority totaling \$6,180,668 with annual payments of \$1,955,084 through 2022, \$779,735 in 2023, and \$8,857 in

2024 through 2032. The proceeds of the loans were used to pay costs of improvements to the Water Utility.

THE WASTEWATER UTILITY

Existing Facilities

The facilities of the City’s wastewater collection and treatment system (the “Wastewater Utility”) consists of two treatment plants, ten pump stations, sewer lines and force mains.

Service Area and Users

The Wastewater Utility is the only wastewater collection and treatment service in the City, and the City requires all businesses and residences located in the City to connect to the Wastewater Utility. Currently the Wastewater Utility serves 15,419 users within the City and 15 outside the City.

The total number and percentages of users by category as of December 31, 2020 were:

	Inside the City		Outside the City	
	Number of Users	Percentages of Users	Number of Users	Percentages of Users
Residential	14,065 ^(a)	91.22%	15	0.10%
Commercial/Institutional	1,270	8.24	1 ^(b)	0.006%
Industrial	68	0.44	0	n/a

(a) Includes as one customer, the users of the County’s wastewater utility.

(b) The Greenfield Township Water and Sewer District’s wastewater utility only uses a flow meter.

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The largest Wastewater Utility customers with volume usage greater than 1% of the total volume usage for the Fiscal Year 2020 were:

Customer	% of Volume Usage	Dollar Sales
TreeHouse (formerly Ralston)	2.80	\$183,653
EveryWare Global	3.60	240,425
Greenfield Township	3.67	225,747
Fairfield Medical Center	1.40	108,672
Fairfield County Utilities	3.40	213,275

The percentage of user volume by each category of users for Fiscal Year 2020 was as follows:

Category	Inside City Cubic Feet (00s)	Outside City Cubic Feet (00s)
Residential	896,036	52,470
Commercial/Institutional	279,488	0
Industrial	<u>177,299</u>	<u>0</u>
Total	1,352,823	52,470

Employees

Twenty-three people are employed in the operation of the Wastewater Utility, of which 17.5 are employed at the wastewater treatment facilities and 5.5 provide maintenance and repair services. All of those employees are under the direct supervision of the Water and Wastewater Superintendent.

Of the full-time employees of the Wastewater Utility, 20 are represented by AFSCME, Ohio Council 8, and their contract expired on December 31, 2020. A new contract is currently being negotiated. Historically, the relations between the City and that bargaining unit have been considered good. There have been no work stoppages or related disruptions since at least 1980.

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Historical Operating Results

The following summarizes recent Fiscal Years operating results of the Wastewater Utility.

	2016	2017	2018	2019	2020
Revenues:					
Operating Revenues	\$10,693,504	\$10,852,549	\$11,001,602	\$10,912,345	\$10,782,003
Non-Operating Revenues	1,531,785	1,793,871	1,726,159	1,766,860	1,948,593
Total Revenues	\$12,225,289	\$12,636,420	\$12,727,761	\$12,679,205	\$12,730,596
Operating Expenses:					
Operation & Maintenance	\$4,045,226	\$4,325,968	\$5,597,026	\$4,663,804	\$6,576,529
Capital Improvements	95,026	340,000	55,000	0	0
Total Operating Expenses	\$4,140,252	\$4,665,968	\$5,652,026	\$4,663,804	\$6,576,529
Net Revenues	\$8,085,037	\$7,970,452	\$7,075,735	\$8,015,401	\$6,154,067
Plus: Amounts on deposit in Utility Reserve Fund (as of March 15)	\$4,048,859	\$4,685,166	\$6,013,561	\$5,279,140	\$5,972,076
Less: Extraordinary items relating to extinguishment of debt	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Net Revenues Available for Service Charges	\$12,133,866	\$12,655,618	\$13,089,296	\$13,294,541	\$12,126,143
Service Charges					
Debt Service on the Series 2008 Bonds	\$1,039,519	\$ 703,500	\$ 0	\$ 0	\$ 0
Debt Service on the Series 2012 Bonds	319,100	333,350	329,250	315,950	317,550
Debt Service on the Series 2016 Bonds	300,575	611,150	1,315,850	1,319,400	1,322,200
Debt Service on Other Utility Indebtedness	2,241,000	2,455,686	2,356,645	2,293,907	2,297,158
Total Utility Service Charges	\$3,900,194	\$4,103,686	\$4,001,745	\$3,929,257	\$3,936,908
Coverage Ratio					
Bonds	7.31	7.67	7.96	8.13	7.40
All Utility Indebtedness	3.11	3.08	3.27	3.38	3.08

Wastewater Rates and Charges

City Council establishes the rates and charges for the Wastewater Utility. The Council, as it may be advised by the Water and Wastewater Superintendent, revises those rates when and as determined necessary to pay the expenses of conducting and managing the Wastewater Utility, including operating expenses and the costs of permanent improvements.

Present rates and charges for users located within the City include an \$18.98 monthly customer charge and \$6.54 per 100 cubic feet of water usage for users who are also users of the City's Water Utility, and a monthly charge of \$71.30 for users who are not users of the City's Water Utility. The City charges a one-time sewer capacity fee to new users of the Utility, and the City charges industrial customers a surcharge for discharges exceeding defined levels and fees to monitor those discharges. Presently, Ralston Foods pays approximately 85% of those surcharges and monitoring fees.

In setting Wastewater Utility rates and charges, the City is bound by the Wastewater Rate Covenant in the Trust Agreement, and those wastewater rates and charges are to be revised when necessary to comply with that covenant.

Monthly Wastewater Rates and Charges

The current monthly rates and charges for the Wastewater Utility are as follows:

Users with Metered Water

Customer Charge	Usage Charge (per 100 cubic feet)
\$18.98	\$6.54

Users without Metered Water

Customer Charge
\$71.30

Wastewater Capacity Fees

The current one-time capacity fees charged to new users of the Wastewater Utility are as follows:

	Meter Size	Customer Charge
Inside Corp	3/4 inch	\$ 4,844
	1 inch	9,452
	1-1/2 inch	22,920
	2 inch	39,933
	4 inch	86,010
	6 inch	144,611
	8 inch	325,724
Outside Corp	3/4 inch	\$ 7,266
	1 inch	14,178
	1-1/2 inch	34,381
	2 inch	59,900
	4 inch	129,016
	6 inch	216,916
	8 inch	488,062

Pursuant to a 1999 contract with Greenfield Township Water and Sewer District, that District currently pays \$6.54 per 748 gallons of water used as measured by a master meter. That rate increases proportionally with any increase in the rates to residential users within the City. The District is responsible for billing its users and for maintenance of wastewater facilities within its service area. The contract expired in 2018 but automatically renews for additional two-year periods unless either the City or the District provide one year's notice of termination. The District

has been acquired by Fairfield County Utilities. The County has provided notification to terminate the contract in 2020.

Pursuant to a 2003 contract with the County, users of the County's wastewater utility with metered water pay \$6.54 per 748 gallons of water used and a monthly customer charge of \$18.21. That rate increases proportionally with any increase in the rates to residential users within the City. The City is responsible for billing those users. The County is responsible for maintenance of wastewater facilities within its service area. The contract expires in 2023, but automatically renews for additional two-year periods unless either the City or the County provide one year's notice of termination.

As portrayed in the tables under **Debt Service Coverage**, these rates and charges, as in effect and as scheduled to increase, together with investment earnings on the Bond Service Fund and Bond Reserve Fund, are expected to produce sufficient Revenues to meet Operating Expenses and the estimated costs of the requirements and covenants imposed by the Wastewater Trust Agreement during the next five years.

Billing; Delinquent Wastewater Utility Bills

Bills to users of the Wastewater Utility are mailed monthly on a combined bill of the Wastewater Utility, the Water Utility, storm, sanitation and gas utilities. The City adds a 5% surcharge to all Wastewater Utility bills not paid by 23 days after the billing date. If those bills remain unpaid for another 30 days, the Wastewater Utility mails a termination notice to the user and service may thereafter be terminated. If service is terminated, it will not be restored until the bill is paid.

If such bills (and penalties) due from owner-occupied properties are not paid within 120 days after they become due and payable, they may be certified to the County Auditor to be placed on the tax duplicate together with the interest and penalties allowed by law, to be collected as other taxes are collected.

As of December 31, 2020, 1,994 Utility accounts (representing 11.30% of all the accounts), totaling \$126,425.44 (representing 16.93% of amounts payable), were delinquent for more than 29 days, and 411 accounts (representing 2.33% of all accounts) totaling \$44,731.19 (representing 5.99% of amounts payable) were delinquent for more than 116 days.

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Debt Charges Requirements and Coverage

The following are the annual debt charges requirements on the 2012 Wastewater Bonds and the 2016 Wastewater Bonds:

Year	Series 2012 Bonds		Series 2016 Bonds		Total Debt Charges
	Principal	Interest	Principal ^(a)	Interest	
2021	\$235,000.00	\$88,750.00	\$ 795,000	\$526,600	\$1,645,350.00
2022	240,000.00	81,700.00	820,000	494,800	1,636,500.00
2023	245,000.00	72,100.00	855,000	462,000	1,634,100.00
2024	260,000.00	62,300.00	890,000	427,800	1,640,100.00
2025	265,000.00	51,900.00	925,000	392,200	1,634,100.00
2026	280,000.00	41,300.00	965,000	355,200	1,641,500.00
2027	290,000.00	31,500.00	1,005,000	316,600	1,643,100.00
2028	300,000.00	21,350.00	1,040,000	276,400	1,637,750.00
2029	310,000.00	10,850.00	1,085,000	234,800	1,640,650.00
2030	0.00	0.00	1,130,000	191,400	1,321,400.00
2031	0.00	0.00	1,170,000	146,200	1,316,200.00
2032	0.00	0.00	1,220,000	99,400	1,319,400.00
2033	0.00	0.00	1,265,000	50,600	1,315,600.00

(a) Includes mandatory sinking fund redemption requirements.

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Based on the rates and charges currently established, the debt service on the Series 2016 Wastewater Bonds, the Series 2012 Wastewater Bonds and other Wastewater obligations and the assumptions described below, the City projects that the Wastewater Revenues, Operating Expenses, Net Revenues and Debt Coverage for the years 2021 through 2025 are as follows:

	2021	2022	2023	2024	2025
Revenues					
Operating Revenues	\$11,176,913	\$11,442,750	\$11,957,674	\$12,539,800	\$12,539,800
Non-Operating Revenues	1,061,783	1,627,999	1,651,302	1,671,496	1,671,496
Total Revenues	\$12,238,696	\$13,070,748	\$13,608,976	\$14,211,296	\$14,211,296
Operating Expenses					
Operation & Maintenance	\$6,150,420	\$6,301,981	\$6,457,819	\$6,618,065	\$6,816,607
Capital Improvements	557,000	305,000	3,955,538	45,000	750,000
Total Operating Expenses	\$6,707,420	\$6,606,981	\$10,413,357	\$6,663,065	\$7,566,607
Net Revenues	\$5,531,276	\$6,463,767	\$3,195,619	\$7,548,231	\$6,644,689
Plus: Amounts on deposit in Utility Reserve Fund (as of March 15)	\$2,260,236	\$2,271,536	\$2,282,894	\$2,294,308	\$2,000,000
Less: Extraordinary items relating to extinguishment of debt	\$0	\$0	\$0	\$0	\$0
Net Revenues Available for Service Charges	\$7,791,512	\$8,735,303	\$5,478,513	\$9,842,539	\$8,644,689
Service Charges					
Debt Charges on the Series 2012 Bonds	\$323,750	\$321,700	\$317,100	\$322,300	316,900
Debt Charges on the Series 2016 Bonds	1,321,600	1,314,800	1,317,000	1,318,600	1,317,000
Debt Charges on Other Utility Indebtedness	2,301,612	3,347,825	4,582,197	5,868,421	\$5,870,000
Total Utility Service Charges	\$3,946,962	\$4,984,325	\$6,216,197	\$7,509,321	7,503,900
Coverage Ratio:					
Bonds	4.73	5.34	3.35	6.00	5.29
All Utility Debt	1.97	1.75	1.19	1.31	1.15

The projections of Wastewater Revenues assumes a 1.1% annual growth and rate increases of 0% in 2021, 4.5% in 2022, 4.5% in 2023, 4.9% in 2024 and 0% in 2025. The projections of Operating Expenses assume a 2% annual increase in Operating Expenses in 2021 and 2022, 4% for 2023, 3% in 2024 and 3% in 2025.

Other Obligations Payable from Wastewater Revenues

There is no general obligation debt of the City outstanding for improvements to the Utility. Debt service on future general obligation debt will be payable from ad valorem taxes, but that debt service may be paid from certain surplus wastewater revenues. The City does have loans, payable only from wastewater revenues, from the Ohio Water Development Authority which have a principal loan balance as of December 31, 2020 of \$20,801,729.57 with annual payments through 2031. The estimated payments on the loans in years 2021 through 2025 are included above as "Debt Charges on Other Utility Indebtedness." The total loan payments decline to between approximately \$2,286,636 and \$2,351,975 in years 2021 through 2031.

FINANCIAL MATTERS

Introduction

The City's Fiscal Year corresponds with the calendar year.

The main sources of City revenue have been and are income and property taxes, and State distributions, as described below.

The responsibilities for the major financial functions of the City are divided among the Mayor, Auditor and the Council.

The Auditor is the City's fiscal and chief accounting officer. Among that officer's duties are to keep the books and accurate statements of all moneys received and expended and of all taxes and assessments; at the end of each Fiscal Year, or more often if requested by the Council, to examine all accounts of City officers and departments; and not to allow the amount set aside for any appropriation to be overdrawn, or the amount appropriated for any one item of expense to be drawn upon for any other purpose, or a voucher to be paid unless sufficient funds are in the City treasury to the credit of the fund on which the voucher is drawn. The City Treasurer is responsible for receiving, maintaining custody of and disbursing all City funds.

Investments and deposits of City funds are governed by the Ohio Uniform Depository Law (Chapter 135 of the Ohio Revised Code) applicable to all subdivisions, and by City ordinances. The City Treasurer is responsible for those investments and deposits.

For property taxation purposes, assessment of real property is the responsibility of the County Auditor subject to supervision by the State Tax Commissioner, and assessment of public utility and tangible personal property is performed by the State Tax Commissioner. Property taxes and assessments are billed and collected by County officials.

Budgeting, Tax Levy and Appropriations Procedures

Detailed provisions for budgeting, tax levies and appropriations are provided by the Ohio Revised Code, including a requirement that the City levy a property tax in a sufficient amount, with any other moneys available for the purpose, to pay the debt service on securities payable from property taxes.

The law generally requires that a subdivision prepare, and then adopt after a public hearing, a tax budget approximately six months before the start of the next Fiscal Year. The tax budget then is presented for review by the appropriate county budget commission, comprised of the county auditor, county treasurer and prosecuting attorney. However, a county budget commission may either waive the requirement for a tax budget or permit an alternative form of tax budget with more limited information. The Fairfield County Budget Commission has not waived the requirement of a tax budget from the City.

The county budget commission then determines and approves levies for debt service outside and inside the ten-mill limitation. The Ohio Revised Code provides that "if any debt charge is omitted from the budget, the commission shall include it therein."

The county budget commission then certifies its action to the City together with the estimate by the county auditor of the tax rates outside and inside the ten-mill limitation. Thereafter, and before the end of the then Fiscal Year, the subdivision approves the tax levies and certifies them to the proper county officials. The approved and certified tax rates are then reflected in the tax bills sent to property owners. Real property taxes are payable in two equal installments, the first usually by February and the second in July.

The Council adopts a temporary appropriation measure in December and then, by April 1, a permanent appropriation measure for that Fiscal Year. Although called “permanent,” the annual appropriation measure may be, and often is, amended during the Fiscal Year. Annual appropriations may not exceed the Fairfield County Budget Commission’s official estimates of resources, and the county auditor must certify that the City’s appropriation measures do not appropriate moneys in excess of the amounts set forth in those estimates.

Financial Reports and Audits

The City maintains its accounts, appropriations and other fiscal records in accordance with the procedures established and prescribed by the Auditor of State of Ohio (the “State Auditor”). The State Auditor is charged by law with the responsibility of inspecting and supervising the accounts and records of each taxing subdivision and most public agencies and institutions.

City receipts and expenditures are compiled on a cash basis, pursuant to accounting procedures prescribed by the State Auditor which are generally applicable to all Ohio political subdivisions. The cash receipts and expenditures are converted annually for reporting purposes to a modified accrual basis of accounting for governmental funds and an accrual basis for proprietary funds. These accounting procedures conform to generally accepted accounting principles as recommended by the Governmental Accounting Standards Board (“GASB”). Those recommendations, among other things, provide for a modified accrual basis of accounting for the general fund, all special revenue funds and the debt service (“bond retirement”) fund and for a full accrual basis of accounting for all other funds, and for the preparation for each fund of balance sheets, statements of revenues and expenditures, and statements showing changes in fund balances.

Generally accepted accounting principles also require separate entity-wide financial statements that display information about the City as a whole. These statements include a statement of net assets and a statement of activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City’s governmental activities and for the business-type activities and thus identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

The City issues a Comprehensive Annual Financial Report (“Annual Report”), including General Purpose Financial Statements. The Annual Reports through Fiscal Year 2019 were awarded a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association (the “GFOA”), which is awarded to those governmental reporting agencies that comply with the GFOA reporting standards. The City has submitted its 2020 Annual Report to the GFOA for consideration for the Certificate of Achievement for Excellence in Financial Reporting.

Audits are made by the State Auditor or by certified public accountants at the direction of the State Auditor, pursuant to Ohio law, and examinations or audits are made under certain federal program requirements. No other independent examination or audit of the City’s financial records is made.

The most recent audit (including compliance audit) of the City’s accounts by Clark, Schaefer, Hackett & Co., was completed through Fiscal Year 2019. No material findings, citations or items for adjustment, or material weaknesses in internal controls, were noted as part of the audit. The Fiscal Year 2020 audit is in process.

Annual financial reports are prepared by the City, and filed as required by law with the State Auditor after the close of each Fiscal Year.

See **Appendix A** for an unaudited comparative cash-basis summary of General Fund receipts and expenditures for the last five Fiscal Years. That summary has been prepared by the City in comparative form from statements prepared by the City Auditor.

The audited financial statements are public records, no consent to their inclusion is required, and no bring-down procedures have been undertaken by the State Auditor (or any CPAs) since the date of the audit report.

**AD VALOREM PROPERTY TAXES
AND SPECIAL ASSESSMENTS**

Assessed Valuation

The following table shows the recent assessed valuations of property subject to ad valorem taxes levied by the City.

Tax Collection Year	Real^(a)	Public Utility^(b)	Total Assessed Valuation
2017 ^(c)	\$720,449,540	\$19,795,850	\$740,245,390
2018	717,240,540	19,977,210	737,217,750
2019	723,853,370	21,536,070	745,389,440
2020 ^(d)	817,871,560	25,543,580	843,415,140
2021	825,804,070	34,954,630	860,758,700

(a) Other than real property of railroads. The real property of public utilities, other than railroads, is assessed by the County Auditor. Real property of railroads is assessed, together with tangible personal property of all public utilities, by the State Tax Commissioner.

(b) Tangible personal property of all public utilities and real property of railroads.

(c) Reflects triennial update.

(d) Reflects sexiennial reappraisal.

Source: County Auditor.

Taxes collected on “Real” in one calendar year are levied in the preceding calendar year on assessed values as of January 1 of that preceding year. “Public Utility” (real and tangible

personal) 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.

Since 2005, approximately 562.742 acres have been annexed to the City and none are the subject of pending annexation.

Based on County Auditor records of assessed valuations for the tax year 2020 (collection year 2020), the largest City ad valorem property taxpayers as of December 31, 2020 were:

Name of Taxpayer	Nature of Business	Total Assessed Valuation	% of Total Assessed Valuation
<u>Real</u>			
Zane Properties Corporation	Commercial Real Estate	\$7,447,740	0.88%
Lancaster Apartment Properties RVM, LLC	Apartments	6,958,450	0.83
River Valley Plaza LP	Commercial Real Estate	6,452,430	0.77
G & I IX Anchor Hock LLC	Manufacturer	4,438,260	0.53
SUSO 4 Hocking LP	Commercial Real Estate	4,333,680	0.51
DOC-2405 North Columbus Street	Medical Offices	4,319,800	0.51
Lancaster Phase One Group PLL	Residential	4,030,080	0.48
DFG Lancaster, LLC	Commercial Real Estate	3,997,540	0.47
Lancaster Ridge Holdings LLC	Commercial Real Estate	3,852,860	0.46
		3,520,480	0.42
<u>Public Utility</u>			
Ohio Power Company	Electric Transmission	\$23,575,230	2.80%
AEP Ohio Transmission Company	Electric Transmission	7,722,790	0.92
Columbia Gas Transmission Corp.	Gas	3,115,840	0.37
Rockies Express Pipeline LLC	Gas	436,330	0.05
All Others		\$759,213,630	90.02%
Total		\$843,415,140	100.00%

Pursuant to statutory requirements for sexennial reappraisals, in 2019 the County Auditor adjusted the true value of taxable real property to reflect then current fair market values. These adjustments were first reflected in the 2019 duplicate (collection year 2020) and in the ad valorem taxes distributed to the City in 2020 and thereafter. The County Auditor is required to adjust (but without individual appraisal of properties except in the sexennial reappraisal), and has adjusted, taxable real property value triennially to reflect true values. The County Auditor completed such a triennial adjustment in 2016 (tax collection year 2017).

The “assessed valuation” of real property is fixed at 35% of true value and is determined pursuant to rules of the State Tax Commissioner. An exception is that real property devoted

exclusively to agricultural use is to be assessed at not more than 35% of its current agricultural use value. Real property devoted exclusively to forestry or timber growing is taxed at 50% of the local tax rate upon its assessed value.

As a result of the phase-out of taxation of tangible personal property used in general business (excluding certain public utility property) and tangible personal property used by telephone, telegraph or interexchange telecommunications companies, and the 2002 reduction of the percentages of true value of electric utility production equipment and natural gas utility property assessed for taxation, as described above, eligible local governments have received reimbursement payments from the State to account for the loss of property tax revenue. The City no longer receives reimbursement from the State relating to lost property revenue from operating levies.

As indicated herein, the General Assembly has from time to time exercised its power to revise the laws applicable to the determination of assessed valuation of taxable property and the amount of receipts to be produced by ad valorem taxes levied on that property, and may continue to make similar revisions.

Ohio law grants tax credits to offset increases in taxes resulting from increases in the true value of real property. Legislation classifies real property as between residential and agricultural property and all other real property, and provides for tax reduction factors to be separately computed for and applied to each class. These tax credits apply only to certain voted levies on real property, and they do not apply to unvoted levies or to voted levies to provide a specified dollar amount or to pay debt charges on general obligation debt. These credits are discussed further following **Tax Table A**.

Overlapping Governmental Entities

The major political subdivisions or other governmental entities that overlap all or a portion of the territory of the City are listed below. The “(%)” figure is that approximate percentage of a recent tax valuation of the overlapping entity that is located within the City as of December 31, 2020.

- The County (functions allocated to counties by Ohio law, such as elections, health and human services and judicial) (18.87%).
- Townships of Greenfield (0.78%) and Pleasant (0.59%) (limited functions allocated to townships by Ohio law).
- A portion of the Lancaster City School District (K-12 educational responsibilities) (76.67%). Portions of other school districts are also included in the City as follows: Amanda-Clearcreek Local School District (0.57%) and Berne Union Local School District (1.78%).
- Eastland-Fairfield Career & Technical Joint Vocational School District (vocational education program) (0.06%).

- Fairfield County Library District (18.87%).
- Fairfield County Historical Parks District (18.87%).

Source: Ohio Municipal Advisory Council.

Each of these entities operates independently, with its own separate budget, taxing power and sources of revenue. Only the County, the City and local school districts may levy ad valorem property taxes within the ten-mill limitation (subject to available statutory allocation of the 10 mills) described under **CITY DEBT AND OTHER LONG-TERM OBLIGATIONS – Indirect Debt and Unvoted Debt Limitations**.

Tax Rates

All references to tax rates under this caption are in terms of stated rates in mills per \$1.00 of assessed valuation.

The following are the rates at which the City and overlapping taxing subdivisions have in recent years levied ad valorem property taxes.

TAX TABLE A
Overlapping Tax Rates

Collection Year	City	County^(a)	Fairfield County Library	Fairfield County Historical Parks	Lancaster City School District	Total
2017	6.40	10.40	0.50	0.40	68.10	85.80
2018	6.40	11.40	0.50	0.40	68.10	86.80
2019	6.40	11.40	0.50	0.40	68.10	86.80
2020	6.40	12.70	0.50	0.40	67.90	87.90
2021	6.40	12.70	0.50	0.40	71.60	91.60

(a) Includes levies for Mental Health, Protective Services, ADAMH, Roads and Senior Services.

Source: County Auditor.

Statutory procedures limit, by the application of tax credits, the amount realized by each taxing subdivision from real property taxation to the amount realized from those taxes in the preceding year plus both:

- the proceeds of any new taxes (other than renewals) approved by the electors, calculated to produce an amount equal to the amount that would have been realized if those taxes had been levied in the preceding year; and
- amounts realized from new and existing taxes on the assessed valuation of real property added to the tax duplicate since the preceding year.

As noted above, all of the City’s property tax levies, as levies inside the ten-mill limitation, are exempt from those tax credit provisions. The tax credit provisions do not apply to amounts realized from taxes levied at whatever rate is required to produce a specified amount or an amount to pay debt charges or from taxes levied inside the ten-mill limitation or any applicable charter tax rate limitation. To calculate the limited amount to be realized, a reduction factor is applied to the stated rates of the levies subject to these tax credits. A resulting “effective tax rate” reflects the aggregate of those reductions, and is the rate on the basis of which real property taxes are in fact collected. As an example, the total overlapping tax rate for tax year 2020 (collection year 2021) of 91.60 mills within the City (in that portion of the City within the Lancaster City School District) was reduced by reduction factors of 0.522753 for residential/agricultural property and 0.421038 for all other real property, which results in “effective tax rates” of 43.715911 mills for residential and agricultural property and 53.032940 mills for all other real property. See **Tax Table A**.

Residential and agricultural real property tax amounts paid by taxpayers generally have been further reduced by an additional 10% (12.5% in the case of owner-occupied residential property); however, legislation passed by the State’s General Assembly in 2013 eliminated such reductions for additional and replacement levies approved at elections after its effective date and for other taxes (or increases in taxes) not levied for tax year 2013. See **AD VALOREM PROPERTY TAXES AND SPECIAL ASSESSMENTS – Collections** for a discussion of reimbursements by the State to taxing subdivisions for these reductions and related changes made by that State legislation.

The following are the rates at which the City levied property taxes for the general categories of purposes for the years shown. The City does not currently levy any taxes outside the ten-mill limitation.

**TAX TABLE B
City Tax Rates**

Inside the Limitation

Collection Year	Operating	Police and Fire Pension	Roads	Total
2017	2.80	0.60	3.00	6.40
2018	2.80	0.60	3.00	6.40
2019	2.80	0.60	3.00	6.40
2020	2.80	0.60	3.00	6.40
2021	2.80	0.60	3.00	6.40

See the discussion of the ten-mill limitation, and the priority of claim on that millage for debt charges on unvoted general obligation debt, under **CITY DEBT AND OTHER LONG-TERM OBLIGATIONS – Indirect Debt and Unvoted Property Tax Limitations**.

Collections

The following are the amounts billed and collected for City ad valorem property taxes on real and public utility property for the tax collection years shown.

Collection Year	Current Billed	Current Collected	Current % Collected	Delinquent ^(a)	
				Collected	Accumulated Unpaid
2016	\$4,559,319	\$4,428,584	97.13%	\$199,797	\$301,473
2017	4,615,320	4,476,131	96.98	171,739	301,821
2018	4,594,776	4,433,631	96.49	65,275	333,201
2019	4,657,813	4,475,902	96.09	121,070	355,242
2020	4,996,968	4,830,525	96.67	198,273	286,165

(a) Payment of past delinquencies and current collections may exceed current billings.

Source: County Auditor.

Included in the “Current Billed” and “Current Collected” figures above are payments made from State revenue sources under two statewide real property tax relief programs – the Homestead Exemption and the Property Tax Rollback Exemption. The Homestead Exemption is available for (i) persons 65 years of age or older, (ii) persons who are totally or permanently disabled and (iii) surviving spouses of persons who were totally or permanently disabled or 65 years of age or older, and had applied and qualified for a reduction of property taxes in the year of death, so long as the surviving spouses were not younger than 59 or older than 65 years of age on the date of their deceased spouses’ deaths. The Homestead Exemption exempts \$25,000 of the homestead’s market value from taxation, thereby reducing the property owner’s ad valorem property tax liability. The Property Tax Rollback Exemption applies to all non-business properties, and reduces each property owner’s ad valorem property tax liability by either 12.5% (for owner-occupied non-business properties) or 10% (for non-owner non-business occupied properties). Payments to taxing subdivisions have been made in amounts approximately equal to the Homestead and Property Tax Rollback Exemptions granted. This State assistance reflected in the City’s tax collections for 2020 was \$118,798.31 for the elderly/disabled homestead payment and \$404,883.67 for the rollback payment.

Legislation passed by the State’s General Assembly in 2013 made the Homestead Exemption subject to means testing beginning January 1, 2014, and eliminated the Property Tax Rollback Exemption and related reimbursements with respect to new or replacement tax levies approved at elections after its effective date, and for other taxes (or increases in taxes) not levied for tax year 2013. See **AD VALOREM PROPERTY TAXES AND SPECIAL ASSESSMENTS – Tax Rates**.

Real property taxes are payable in two installments, the first usually by February and the second in July.

Special Assessments

The City regularly conducts residential and other street improvements, which can include paving, resurfacing, draining, planting shade trees and constructing curbs, sidewalks, storm sewers, sanitary sewers and water lines. The cost of these improvements is paid in part from special assessments levied against the property benefiting from those improvements; the remaining cost is paid by the City. Unless all of the benefiting property owners petition to pay all costs, State law requires the City to pay at least 2% (plus the cost associated with intersections) of the total cost of the improvements.

Owners of benefiting properties may commence a street improvement project by filing a petition with City Council requesting the improvement. Alternatively, Council, with a three-quarter majority, may by resolution declare the necessity for such an improvement. The special assessment proceedings provide for notice to property owners and an opportunity for property owners to object to the special assessments. At the commencement of construction of the improvement, bond anticipation notes may be issued to pay the property owners' portion of the project cost. Following completion of the work and determination of final costs, the special assessments are levied by Council against the benefiting property. Special assessments not paid within 30 days are certified to the County Auditor for collection over a period of time (usually 10 to 20 years for most projects). Special assessments are billed by the County Auditor and collected by the County Treasurer along with and at the same time as real property taxes. The real property taxes levied on any property against which special assessments have been levied are not to be paid unless those special assessments are also paid.

If bond anticipation notes are issued to pay the property owners' portion of the project cost as described above, bonds may be issued in anticipation of the collection of the special assessments to refund (together with any cash payments of special assessments) those notes. The special assessments certified for collection bear the same interest as the bonds. Under State law, those bonds are to be paid from the anticipated special assessments, but they are also general obligations of the City, payable from ad valorem property taxes to the extent not paid from those special assessments. See **CITY DEBT AND OTHER LONG-TERM OBLIGATIONS – Statutory Direct Debt Limitations, – Indirect Debt and Unvoted Property Tax Limitations and Debt Tables A and B**. The City has never been required to levy an ad valorem property tax for debt charges on bonds issued in anticipation of the collection of special assessments because special assessments have been collected as required and sufficient balances have been available in the Bond Retirement Fund to cover any temporary shortfall.

The City conducts annual programs for the provision of street lighting and street cleaning services (including sprinkling, sweeping and removing snow and leaves) for its streets, alleys and other public ways. A portion of the cost of these programs is paid by the City from general funds; the remaining portion is financed by the levy each year of special assessments upon the benefited properties. Notes may be issued in anticipation of those special assessments to fund these programs. If issued, these notes generally have a maturity of one year or less and are payable solely from those special assessments. The notes are not general obligations of the City. By statute, no property tax may be pledged or used for their payment.

The following are the amounts billed and collected for City special assessments for the tax collection years shown.

Collection Year	Current Billed	<i>Special Assessments</i> ^{(a)(b)}		Delinquent	
		Current Collected	Current % Collected	Current	Accumulated
2016	\$170,329	\$164,747	96.72%	\$38,239	\$236,195
2017	165,567	149,133	90.07	47,260	252,820
2018	187,882	155,188	82.60	52,138	260,243
2019	228,758	175,939	76.91	72,013	137,472
2020	252,612	207,801	82.26	72,803	106,430

(a) Includes assessments for unpaid utility charges, mowing, weed removal, junk removal, demolition of unsafe structures and other property maintenance.

(b) Updated information is being included in the entire chart. In past annual information filings, the information included for current billed, current collected and percentage collected figures included additional amounts other than those currently billed or collected. This chart has been updated in this annual information filing so that those figures only include current amounts billed and collected.

Source: County Auditor.

Delinquencies

The following is a general description of delinquency procedures under Ohio law, the implementation of which may vary in practice among the counties.

Under the Revised Code, taxes levied on property become a lien of the State on the first day of January, annually, and that lien continues until the taxes, including any penalties, interest or other charges, are paid. Real estate taxes and special assessments are generally payable in two equal installments – with the first half installment due no later than January in the year following their levy and the second half installment due no later than July in the year following their levy. Current year billed taxes not paid when due are generally subject to a 10% penalty, subject to remission of one-half of the penalty if those taxes are paid within 10 days following the due date.

The county auditor is required to prepare a list and duplicate of delinquent lands (“delinquent lands duplicate”) immediately after each settlement with the county treasurer of taxes collected and to certify the delinquent lands duplicate to the county treasurer. Taxes, including penalties, interest and other charges, that remain unpaid after the last day that the second half installment of current taxes may be paid without penalty in any year become “delinquent taxes” and the properties to which they relate comprise the delinquent lands duplicate. If delinquent taxes (and special assessments) are not paid within 60 days after a copy of the county auditor’s delinquent land duplicate is delivered to the county treasurer, then the county treasurer is to enforce the lien of the State that attached on January 1 of the year the taxes were levied. Under State law, the county treasurer is to enforce the lien “in the same way mortgage liens are enforced,” that is, by an action in the court of common pleas for foreclosure and sale of the property in satisfaction of the delinquency. If the county treasurer fails to bring an action to enforce the lien, then the State Tax Commissioner is to do so. In addition, one year after certification of a delinquent land

duplicate, the county prosecuting attorney is authorized to institute foreclosure proceedings in the name of the county treasurer to foreclose the lien.

The property owner may execute a written delinquent tax agreement with the county treasurer to arrange a payment plan that provides for payments of tax, interest, and penalties over a period not to exceed five years. If payments are made when due under the plan, no further interest will be assessed against delinquent balances covered by the plan; however, a default in any payment under the plan or in the payment of current taxes will invalidate the taxpayer's participation in the plan. If a payment plan is not adhered to or if none is arranged, foreclosure proceedings may be initiated by the county. Mass foreclosure proceedings and sales are permitted after three years' delinquency. Proceeds from delinquent property foreclosure sales become part of and are distributed as current collections to the taxing subdivisions.

As required by law, the County deposits 5% of all collections of certified delinquent taxes and assessments into the delinquent real estate tax and assessment collection fund. Money in that fund is divided equally between the County Treasurer and Prosecuting Attorney and is used solely in connection with the collection of delinquent taxes and assessments.

In recent years, the State legislature has enacted several programs with respect to forestalling the foreclosure process or the forfeiture of property due to tax delinquency that may have the effect of delaying or eliminating the collection of certain property taxes. Notwithstanding the delay or loss of the tax revenues from those properties, an issuer of general obligation notes or bonds, such as the City, remains obligated to pay the debt charges on those notes or bonds from the available revenues. See **CITY DEBT AND OTHER LONG-TERM OBLIGATIONS - Security for General Obligation Debt; Bonds and BANs.**

In recent years the number of delinquent parcels in the City against which foreclosures were commenced are as follows:

Tax Collection Year	Total Nonexempt Parcels	Parcels Certified as Delinquent^(a)
2016	16,894	413
2017	16,910	363
2018	16,858	429
2019	17,009	572
2020	17,021	634

(a) Certified delinquent to the County Prosecutor in the year. Parcels must be delinquent one year prior to certification.

Of the 17,021 nonexempt parcels in the City for collection year 2020, the number of delinquent parcels was 634, against none of which foreclosure proceedings were commenced.

There was one taxpayer that accounted for more than 5% of any of the delinquencies of ad valorem real property taxes or special assessments identified above for collection year 2020.

OTHER MAJOR GENERAL FUND REVENUE SOURCES

Major sources of revenue to the General Fund, in addition to ad valorem property taxes, include the City's income tax and State local government distributions. **Appendix A** provides further information regarding other revenue sources for the General Fund and other funds.

Municipal Income Tax

Ohio law authorizes a city or village to levy a municipal income tax on both business income and employee wages and salaries at a rate of up to 1.00% without voter authorization. An income tax rate in excess of 1.00% requires approval of the voters. The City electors authorized an income tax at the rate of 1.75% with 0.15% of that income tax providing funds for the municipal park and recreation facilities, 0.15% of that income tax providing funds for the City fire department, and 0.45% of that income tax providing funds for the City police and fire department.

This tax on business income and individuals' salaries and wages is collected and administered by the City. For taxable years beginning on or after January 1, 2018, taxpayers subject to a municipal net profit tax may elect to file on municipal net profit tax return that covers its total municipal net profit tax liability to all municipal corporations through the Ohio Business Gateway for processing by the Ohio Department of Taxation. The Ohio Department of Taxation will provide all administrative functions for those centrally-filed returns and will distribute payments to the appropriate municipalities, as well as address audits and appeals. The State will charge a processing fee to municipalities for taxpayers electing a centralized filing.

The 1.60% of the income tax is in effect for a continuing period of time; 0.15% of the income tax (providing funds for the municipal park and recreation facilities) was renewed in 2017. All or any portion of the income tax could be reduced or terminated by action of the Council or by vote of the electors initiated by petition of 10% of the number of electors of the City who voted at the last preceding November election, following initiated ordinance procedure. Under current law, the Council could reimpose a 1% income tax without authorization by the electors. In November 2020, electors of the City approved a 0.45% increase in the City's income tax rate effective January 1, 2021 for a continuing period of time for the purpose of operating, maintaining, repairing and providing capital facilities for the Fire and Police Departments of the City.

Income tax proceeds, after payment of collection expenses, have been allocated by the Council for Fiscal Year 2020 to the General Fund.

Annual income tax receipts in recent years were:

Year	Rate	Total Receipts	Accumulated Delinquency
2016	1.75%	\$19,599,451	\$2,032,497
2017	1.75	19,024,341	2,073,840
2018	1.75	19,964,661	2,030,990
2019	1.75	20,823,359	1,964,945
2020	1.75	20,751,089	1,991,695

Residents are currently permitted, as a credit against their City income tax liability, up to a maximum of 100% of any amount paid as municipal income tax on the same income in another municipal corporation, to a maximum credit of 1% of income taxable to such municipal corporation.

Based on employer payments of corporate and withheld personal income taxes, one employer contributed more than 5% of the City income taxes collected in 2020.

Certain of the income subject to the City income tax is also subject to the State income tax.

State Local Government Funds

Statutory state-level local government funds, comprised of designated State revenues, are another source of revenue to the General Fund. Most are distributed to each county and then allocated on a formula basis, or in some cases on an agreement basis, among the county and cities, villages and townships, and in some cases park districts, in the county. City receipts from those funds are set forth in the following table.

Year	Receipts
2016	\$799,156
2017	717,151
2018	874,646
2019	911,897
2020	990,672

The amounts of and formula for distribution of these funds have been and may be revised from time to time. In 2018, villages with a population of 1,000 or more and cities experienced smaller distributions from the State's Local Government Fund due to a portion of those funds being redirected to townships and drug epidemic services.

CITY DEBT AND OTHER LONG-TERM OBLIGATIONS

The following describes the security for general obligation debt, applicable debt and ad valorem property tax limitations and outstanding and projected bond and note indebtedness and certain other long-term financial obligations of the City.

As used in the discussions that follow, the term "BANs" refers to notes issued in anticipation of the issuance of general obligation bonds.

The 2010 Street Bonds, the 2014 Courthouse Bonds, the 2014 VP Bonds and 2014 Real Estate Bonds are unvoted general obligations of the City. Certain overlapping subdivisions also may issue general obligation debt. The 2014 Courthouse Bonds, the 2014 VP Bonds and the 2014 Real Estate Bonds are subject to both of the direct debt limitations.

The 2012 Water Bonds, the 2012 Wastewater Bonds and the 2016 Wastewater Bonds are special obligations of the City and are payable solely from the revenues of the City's water system and wastewater system. The 2012 Water Bonds, the 2012 Wastewater Bonds and the 2016

Wastewater Bonds have been *excluded* entirely from the following debt discussion and tables. The City is not aware of and has not been notified of any condition of default under those bonds or the related financing documents.

Certain overlapping subdivisions also may issue voted and unvoted general obligation debt.

The City is not, and to the knowledge of current City officials has not in at least the last 25 years been in default in the payment of debt charges on any of the bonds or notes on which the City is obligor. The City, however, makes no representation as to the existence of a condition of default resulting from a default by any private entity under any financing documents relating to industrial development or hospital revenue bonds for which the City was the issuer.

Security for General Obligation Debt; Bonds and BANs

The following describes the security for City general obligation debt: bonds and bond anticipation notes (“BANs”).

Voted Bonds. The basic security for voted City general obligation bonds is the authorization by the electors for the City to levy, and its levy pursuant to constitutional and statutory requirements of, ad valorem taxes, without limitation as to rate or amount, on all real and tangible personal property subject to ad valorem taxation by the City. These taxes are outside of the ten-mill limitation and are to be sufficient in amount to pay (to the extent not paid from other sources) as they come due the debt charges on the voted bonds (subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer, and other laws relating to or affecting the rights and remedies of creditors generally, to the application of equitable principles, whether considered in a proceeding at law or in equity; to the exercise of judicial discretion; and to limitations on legal remedies against public entities). As of December 31, 2020 the City had no voted general obligation bonds outstanding.

Unvoted Bonds. The basic security for unvoted City general obligation bonds is the City’s ability to levy, and its levy pursuant to constitutional and statutory requirements of, ad valorem taxes on all real and tangible personal property subject to ad valorem taxation by the City, within the ten-mill limitation described below. These taxes are to be sufficient in amount to pay (to the extent not paid from other sources) as they come due the debt charges on unvoted general obligation bonds. The law provides that the levy necessary for debt charges has priority over any levy for other purposes within that tax limitation; that priority may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance or transfer, and other laws relating to or affecting the rights and remedies of creditors generally; to the application of equitable principles, whether considered in a proceeding at law or in equity; to the exercise of judicial discretion, and to limitations on legal remedies against public entities. See the discussion under **CITY DEBT AND OTHER LONG-TERM OBLIGATIONS – Indirect Debt and Unvoted Property Tax Limitations** of the ten-mill limitation, and the priority of claim on it for debt charges on unvoted general obligation debt of the City and all overlapping taxing subdivisions.

BANs. BANs may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the BANs, or available funds of the City or a combination of these sources. While BANs are outstanding, Ohio law requires the levy of ad valorem property taxes in an amount not less than what would have been levied if bonds had been issued without the prior

issuance of the BANs. That levy need not actually be collected if payment in fact is to be provided from other sources, such as the proceeds of the bonds anticipated or of renewal BANs. BANs, including renewal BANs, may be issued and outstanding from time to time up to a maximum period of 240 months from the date of issuance of the original notes. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated. Portions of the principal amount of BANs outstanding for more than five years must be retired in amounts at least equal to, and payable not later than, those principal maturities that would have been required if the bonds had been issued at the expiration of the initial five-year period.

As of December 31, 2020, the City had \$1,080,000 of outstanding BANs.

Statutory Direct Debt Limitations

The Revised Code provides:

- The net principal amount of both voted and unvoted debt of a city, excluding “exempt debt” (discussed below), may not exceed 10½% of the total tax valuation of all property in the city as listed and assessed for taxation.
- The net principal amount of the unvoted nonexempt debt of a city may not exceed 5½% of that valuation.

These two limitations, which are referred to as the “direct debt limitations,” may be amended from time to time by the General Assembly.

The City’s ability to incur unvoted debt (whether or not exempt from the direct debt limitations) is also restricted by the indirect debt limitation discussed under **CITY DEBT AND OTHER LONG-TERM OBLIGATIONS – Indirect Debt and Unvoted Property Tax Limitations**.

Certain debt that the City may issue is exempt from the direct debt limitations (“exempt debt”). Exempt debt includes, among others, the following categories.

- General obligation debt:
 - That is “self-supporting” debt (*i.e.*, nontax revenues from the facility or category of facilities are sufficient to pay operating and maintenance expenses and related debt charges and other requirements) issued for facilities for city utility systems, airports, railroads, mass transit systems, parking, health care, solid waste, urban development, recreation, sports, convention, auditorium, museum, trade show and other public attractions, facilities for natural resource exploration, development, recovery, use or sale, and correctional, detention and related rehabilitation facilities.
 - To the extent debt charges are expected to be paid from tax increment financing payments in lieu of taxes pledged to the payment of those debt charges (subject to certain limitations).

- For highway improvements if the municipality has covenanted to pay debt charges and financing costs from distributions of motor vehicle license and fuel taxes.
- Issued in anticipation of the levy or collection of special assessments.
- To pay final judgments or court-approved settlements.
- Securities for water or sanitary or storm water sewerage facilities to the extent that another subdivision has agreed to pay to the City amounts equal to debt charges on those securities.
- Unvoted general obligation bonds to the extent that debt charges will be met from lawfully available municipal income taxes, to be applied to those debt charges pursuant to ordinance covenants.
- Revenue debt and mortgage revenue bonds to finance municipal utilities.
- Notes issued in anticipation of (i) the collection of current revenues (which have a latest maturity of the last day of the Fiscal Year in which issued) or (ii) the proceeds of a specific tax levy.
- Notes issued for certain energy conservation improvements or certain emergency purposes.
- Debt issued in anticipation of the receipt of federal or State grants for permanent improvements, or to evidence loans from the State capital improvements fund or State infrastructure bank.
- Voted debt for urban redevelopment purposes not in excess of 2% of the City's assessed valuation.
- Securities issued to make a single payment on certain accrued liability to the statewide Police and Fire Pension Fund.
- Securities issued for municipal educational and cultural facilities.

BANs issued in anticipation of exempt bonds also are exempt debt.

The City may incur debt for operating purposes, such as current tax revenue anticipation notes or tax anticipation notes, only under certain limited statutory authority.

In the calculation of debt subject to the direct debt limitations, the amount in a city’s bond retirement fund allocable to the principal amount of nonexempt debt is deducted from gross nonexempt debt. Without consideration of amounts in the City’s Bond Retirement Fund, and based on outstanding debt and current tax (assessed) valuation, the City’s voted and unvoted nonexempt debt capacities as of December 31, 2020 were:

Limitation	Nonexempt Debt Outstanding	Additional Debt Capacity Within Limitation
10-1/2% = \$90,379,663	\$8,527,374	\$81,852,289
5-1/2% = \$47,341,728	\$8,527,374	\$38,814,354

This is further detailed in **Debt Table A**.

Indirect Debt and Unvoted Property Tax Limitations

Voted general obligation debt may be issued by the City if authorized by vote of the electors. Ad valorem taxes, without limitation as to amount or rate, to pay debt charges on voted bonds are authorized by the electors at the same time they authorize the issuance of the bonds.

General obligation debt also may be issued by the City without a vote of the electors. This unvoted debt may not be issued unless the ad valorem property tax for the payment of debt charges on those bonds (or the bonds in anticipation of which BANs are issued), and all outstanding unvoted general obligation bonds (including bonds in anticipation of which BANs are issued) of the combination of overlapping taxing subdivisions including the City resulting in the highest tax required for such debt charges, in any year is 10 mills or less per \$1.00 of assessed valuation. This indirect debt limitation, the product of what is commonly referred to as the “ten-mill limitation,” is imposed by a combination of provisions of the Ohio Constitution and the Revised Code.

The ten-mill limitation is the maximum aggregate millage for all purposes that may be levied on any single piece of property by *all* overlapping taxing subdivisions without a vote of the electors. The 10 mills are allocated pursuant to a statutory formula among certain overlapping taxing subdivisions in the County, including the City. For collection year 2021, the entire 10 mills was being levied by the combination of the City and taxing subdivisions overlapping the City. For collection year 2021, the current allocation of the 10 mills (sometimes referred to as the “inside millage”) was as follows: 3.40 City, 2.60 County and 4.00 Lancaster City School District. That allocation has remained constant for at least the last five years.

Present Ohio law requires the inside millage allocated to a taxing subdivision to be used first for the payment of debt charges on its unvoted general obligation debt, unless provision has been made for that payment from other sources, with the balance usable for other purposes. To the extent this inside millage is required for debt charges of a taxing subdivision (which may exceed the formula allocation to that subdivision), the amount that would otherwise be available to that subdivision for general fund purposes is reduced. Because the inside millage that may actually be required to pay debt charges on a subdivision’s unvoted general obligation debt may exceed the formula allocation of that millage to the subdivision, the excess reduces the amount of inside millage available to overlapping subdivisions. In the case of the City, however, a law

applicable to all Ohio cities and villages requires that any lawfully available receipts from a municipal income tax or from voted property tax levies be allocated to pay debt charges on City unvoted debt before the formula allocations of the inside millage to overlapping subdivisions can be invaded for that purpose.

In the case of BANs issued in anticipation of unvoted general obligation bonds, the highest estimate of annual debt charges for the anticipated bonds is used to calculate the millage required.

Revenue bonds and notes and mortgage revenue bonds are not included in debt subject to the indirect limitation since they are not general obligations of the City, and the full faith and credit and property taxing power of the City is not pledged for their payment.

The indirect limitation applies to all unvoted general obligation debt even if debt charges on some of it was expected to be paid in fact from municipal income taxes, special assessments, utility revenues or other sources.

As of December 31, 2020, the highest debt charges requirement in any year for all City debt subject to the ten-mill limitation was estimated to be \$1,163,440.44. That debt includes all unvoted general obligation bonds outstanding and any bonds anticipated by BANs outstanding. The payment of those annual debt charges would require a levy of 1.3516 mills based on current assessed valuation. Of this maximum annual debt charges requirement, \$245,137.75 was expected by the City to be paid from sources other than ad valorem taxes, such as tax increment financing revenues and municipal income taxes (see **Debt Table C**). If those other sources for any reason were not available, the debt charges could be met from the amounts produced by the millage currently levied for all purposes by the City within the ten-mill limitation, and therefore, inside millage allocated to the overlapping subdivisions might have to be preempted for those debt charges. (See the discussion of this preemption, and of limitations on it, above under this caption.)

As of December 31, 2020, the total millage theoretically required by the City, the Lancaster City School District and the County (the highest overlapping taxing subdivisions that had issued unvoted debt) for debt charges on their outstanding unvoted general obligation debt was estimated to be 4.0868 mills for Fiscal Year 2022, the year of the highest potential debt charges requirements. There thus remained 5.9132 mills within the ten-mill limitation that had yet to be allocated to debt charges and that were available to the City and overlapping subdivisions in connection with the issuance of additional unvoted general obligation debt.

Debt Outstanding

The Debt Tables attached provide information concerning the City's outstanding debt represented by bonds and notes, with respect to City and overlapping subdivisions general obligation debt allocations, and debt charges.

The following table shows the principal amount of City general obligation debt outstanding as of December 31 in the years shown.

Year	Exempt	Total	Of GO Total	
			Voted	Unvoted
2016	\$3,600,600	\$14,530,150	\$-0-	\$14,530,150
2017	3,028,300	13,338,326	-0-	13,338,326
2018	2,509,100	12,233,122	-0-	12,233,122
2019	1,807,500	10,943,987	-0-	10,943,987
2020	1,480,000	10,007,374	-0-	10,007,374

Bond Anticipation Notes

As of December 31, 2020, \$1,080,000 of the debt of the City was in the form of BANs. BANs may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the BANs, or available funds of the City, or a combination of these sources.

Bond Retirement Fund

The Bond Retirement Fund is the fund from which the City pays debt charges on its general obligation debt, and into which money required to be applied to those payments are deposited. The following table is an unaudited summary of Bond Retirement Fund receipts and disbursements (including proceeds of renewal or refunding obligations) for the years shown.

Year	Receipts	Disbursements	December 31 Balance
2016	\$2,670,926	\$2,682,795	\$0
2017	1,074,928	1,074,928	0
2018	2,512,763	2,512,763	0
2019	2,335,503	2,335,503	0
2020	2,153,313	2,153,313	0

Future Financings

The City is looking at future financing to make improvements to the City Hall building in addition to the purchase of land for the construction of a new Fire House.

Long-Term Financial Obligations Other Than Bonds and Notes

The City has borrowed \$210,428 with 0% interest from the State of Ohio Public Works Commission to pay costs of improvements to West Fair/Collins Road. The loan initialization was on December 2, 2016 and began principal payments in 2017. The loan is for 10 years and is expected to be retired in 2021 from annual funds allocated to the Lancaster Department of Transportation. The Lancaster Department of Transportation will be making double principal payments to cut the loan from a 10-year payoff to a five-year payoff.

The City has loans, payable only from water revenues, from the Ohio Water Development Authority totaling \$26,728,739 with annual payments ranging from \$1,875,891 in 2019 and incrementally increasing to \$1,925,116 in 2022, \$771,359 in 2023, and \$8,857 in 2024 through 2032. The City has loans, payable only from wastewater revenues, from the Ohio Water Development Authority totaling \$43,807,403 with annual payments through 2031. The annual payment on the wastewater loans in year 2020 was \$2,321,612; those payments incrementally increase over the remaining term of the loan with payments ranging from \$2,326,042 in 2021 to a final payment of \$2,365,591 in 2031.

The City entered into a loan agreement with the Ohio Water Development Authority in 2008 for \$34,396,999 for the Upper Hocking Water Pollution Control Facility and in 2009 for \$398,675 for the construction of stormwater improvements at the Department of Transportation facility. The Water Pollution Control Facility loan is paid with utility revenues and the stormwater loan is paid with a combination of utility, street and general fund money. These two loan amounts are included in the Ohio Water Development Authority wastewater loan totals above.

The City also has one outstanding \$30,430 interest-free loan from the Ohio Public Works Commission. The last maturity of that loan is in 2021 with an annual payment of \$6,086. Debt service on that loan is paid from the City's general fund.

As of December 31, 2020, the City had no other long-term financial obligations, other than the bonds and notes described above, the retirement obligations and liability described under **CITY DEBT AND OTHER LONG-TERM OBLIGATIONS – Retirement Expenses** and the compensated absences described in the Notes to the Unaudited Fiscal Year 2020 Financial Statements attached as **Appendix C**.

Retirement Expenses

Present and retired employees of the City are covered under two statewide public employee retirement (including disability retirement) systems. The Ohio Police and Fire Pension Fund ("OP&F") covers uniformed members of the police and fire departments. All other eligible City employees are covered by the Ohio Public Employees Retirement System ("OPERS").

OPERS and OP&F are two of five statewide public employee retirement systems created by and operating pursuant to Ohio law, all of which currently have unfunded actuarial accrued liabilities. The General Assembly has the power to amend the format of those systems and to revise rates and methods of contributions to be made by public employers and their employees and eligibility criteria, benefits or benefit levels for employee members. In 2012, the General Assembly passed five separate pension reform measures intended to assist each of the five retirement systems in addressing its unfunded actuarial accrued liabilities. The reform legislation passed with respect to OPERS and OP&F provided for (i) no change in the City contribution rates with respect to its employees' earnable salaries, (ii) no change in OPERS employee contribution rate, and (iii) an increase in the OP&F employee contribution rate from 10% to 12.25% in annual increments of 0.75% that began on July 2, 2013. With certain transition provisions applicable to certain current employees, the reform legislation has, among other changes, increased minimum age and service requirements for retirement and disability benefits, revised the calculation of an employee's final average salary on which pension benefits are based to include the five highest years (rather than the three highest years), provided for OPERS pension benefits to be calculated

on a lower, fixed formula, changed provisions with respect to future cost-of-living adjustments to limit those adjustments to the lesser of any increase in the Consumer Price Index or three percent. The OP&F reform legislation also authorizes the OP&F board to further adjust member contribution rates or further adjust age and service requirements after November 1, 2017, if, after an actuarial investigation, the board determines that an adjustment is appropriate.

For further information on these pension plans and for Fiscal Year 2020 reporting with respect to employer pensions, see the Notes to the Unaudited Fiscal Year 2020 Financial Statements attached as **Appendix C**. Financial and other information for OPERS and OP&F can also be found on the respective website for each retirement system including its Comprehensive Annual Financial Report.

In Fiscal Year 2020, City employees covered by OPERS contributed at a statutory rate of 10.0% of earnable salary or compensation. As the employer, the City's statutory contribution rate for those employees was 14.0% of the same base. City employees covered by OP&F contributed at a statutory rate of 12.25% of earnable salary. As the employer, the City's statutory contribution rates, applied to the same base, were 19.5% for police personnel and 24.0% for fire personnel. These employee and employer contribution rates have been and are now the maximums permitted under current State law.

The City's current employer contributions to OPERS and OP&F, and the payments toward the accrued OP&F liability, have been treated as current expenses and included in the City's operating expenditures, except to the extent paid from the proceeds of the "Police and Fire Pension" levy referred to under **AD VALOREM PROPERTY TAXES AND SPECIAL ASSESSMENTS – Tax Rates**.

Federal law requires City employees hired after March 31, 1986 to participate in the federal Medicare program, which requires matching employer and employee contributions, each being 1.45% of the wage base. Otherwise, City employees who are covered by a State retirement system are not currently covered under the federal Social Security Act. OPERS and OP&F are not subject to the funding and vesting requirements of the federal Employee Retirement Income Security Act of 1974.

THE GAS ENTERPRISE

The following statements have been provided by the City unless otherwise noted.

History

The Gas Enterprise, a department of the City, was formed in 1887 after natural gas was discovered in the area. Today, the natural gas distribution system serves approximately 16,200 customers, with an average daily consumption of approximately 5,400 thousand cubic feet ("Mcf" millions of cubic feet) of natural gas, through approximately 256 miles of natural gas mains and services.

The City is one of only two cities in the State with a municipally owned natural gas enterprise. Over the years, local control of the Gas Enterprise has enabled the residents and

businesses of the City to enjoy safe, efficient, high quality and competitively priced natural gas service.

The Gas Enterprise's purpose is to regulate and control the use, sale, and distribution of natural gas by the City.

The rates, terms of service, and procedures of the Gas Enterprise are established by City ordinances. The Gas Enterprise uses a Gas Cost Recovery mechanism which can be adjusted to recover changes in gas commodity prices.

Organization

The Gas Enterprise has a budgeted staff of 27. Built in 2001, the administrative headquarters and operations facilities are located at 1424 Camp Ground Road, Lancaster, Ohio.

Employer/Employee Relations

The Gas Enterprise employees are City employees. The City provides the Human Resource services for City departments. Employees, with the exception of managers or supervisors, are represented by AFSCME, Ohio Council 8 and Local 3427. The current contracts with the AFSCME Ohio Council 8 and Local 3427 became effective on January 1, 2018 and expired on December 31, 2020. A new contract is currently being negotiated. Management and Supervisory personnel representation is described in City Ordinance #56-07. This ordinance is renewed annually in December by the Council of the City.

Service Area

The Gas Enterprise is the primary provider of natural gas service within the incorporated limits of the City and land owned, or leased by the City, and also provides natural gas service to approximately 1,079 customers in the nearby proximity of the City boundaries.

Natural Gas Distribution System

The natural gas distribution system infrastructure has a replacement value of approximately \$62,000,000. Facilities contained within the infrastructure include natural gas mains, meters, corrosion control rectifiers, and regulating and metering equipment.

The infrastructure represents approximately 256 miles of distribution pipe that provides natural gas service to 16,242 customer meters. Additionally, there are approximately 1,500 valves, five natural gas delivery stations and 17 district pressure regulating stations that control local delivery pressure between 1/2 pounds per square inch ("psi") and 125 psi.

Sources of Natural Gas Supply

Prior to the anticipated gas prepayment transaction described in the Official Statement for the Lancaster Port Authority Gas Supply Revenue Refunding Bonds, Series 2019, the Gas Enterprise has purchased its gas supply from BP Corporation North America, Inc. The City has four interconnections with Columbia Gas Transmission Corp. and firm transportation contracts through March 2023. The Gas Enterprise also has firm storage arrangements with Columbia Gas

Transmission Corp. providing security, flexibility, and winter deliverability. The storage contract is for approximately 0.882 billion cubic feet, and expires in May 2023. The Gas Enterprise has been expanding its major pipeline infrastructure and completed nine pipeline interconnection with Texas Eastern Transmission Corporation, providing access to three gas supply basins (Wyoming, Pennsylvania Shale and Gulf of Mexico) and three interstate gas pipelines.

Summary of Capital Improvement Program

The Gas Enterprise (LMG) has various capital improvement plans, some of which are in conjunction with the Public Utilities Commission of Ohio while others are determined by Gas Enterprise's staff. In the spring of 2021, construction was completed on a major mainline and service line replacement upgrade project. This large multi-year project began in 2018 (known as the North Central Gas Main Replacement Project). The upgrade includes 44,000 feet of new medium pressure distribution pipeline and replacement of approximately 36,500 feet of predominantly bare steel low pressure mainline; as well as replacement of over 1,100 service lines (including a total of 110 coated steel risers). In spring of 2021, LMG began work on another multi-year project known as the North East Replacement Project. This project includes replacement of approximately 35,000 feet of gas main and 700 connected service lines (60 Coated Risers). The project is scheduled for completion in the fall of 2023. Through aggressive replacement of aging bare steel infrastructure and coated steel service risers, LMG has achieved a continuous reduction in the number of hazardous leaks; thus, mitigating associated risk on its piping system and improving public safety.

Natural Gas Rates, Fees and Charges

General. Natural gas rates are based on the City's costs for purchasing and distributing gas to its customers. Natural gas costs comprise approximately 75% of the Gas Enterprise's operating expense budget. Rates and charges for natural gas service are established by City Council Ordinances, and are administered by the Service-Safety Director. Such rates and charges are based upon comparable rates charged by other natural gas utilities in central Ohio. To establish retail rates, the Contract Price will be added to other revenue requirements related to the operation of the Gas Enterprise.

Natural Gas Rate Structure. Natural gas rate schedules are established for residential and non-residential (commercial and industrial) users by City Council ordinance.

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The following table sets forth the Gas Enterprise's rates for the past four Fiscal Years and the current Fiscal Year.

**City of Lancaster Municipal Gas Department
Rate Structure
Fiscal Years 2016 through 2020**

User type and Monthly Rate Block	2016	2017	2018	2019	2020
Residential ¹					
Monthly charge per meter	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00
Total Rate ² (per ccf) ³	\$0.75 - \$0.65	\$0.75-\$0.65	\$0.75-\$0.65	\$0.70-\$0.60	\$0.70-\$0.60
Small Non-Residential ³ (Commercial)					
Monthly charge per meter:	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Total Rate ² (per ccf)	\$0.75 - \$0.65	\$0.75-\$0.65	\$0.75-\$0.65	\$0.70-\$0.60	\$0.70-\$0.60
Large Non-Residential ⁴ (Industrial)					
Monthly charge per meter:	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Total Rate ² (per ccf)	\$0.75 - \$0.65	\$0.75-\$0.65	\$0.75-\$0.65	\$0.70-\$0.60	\$0.70-\$0.60

¹ Monthly Residential charges include (1) a service charge per meter; (2) the cost of natural gas; and (3) gas cost recovery.

² Total rate is comprised of the volumetric charge and the gas recovery charge; these charges are in addition to the monthly charge meter fee paid by each customer.

³ ccf equals hundred cubic feet.

⁴ Monthly Small Non-Residential and Large Non-Residential charges include (1) a service charge per meter; (2) cost of natural gas; and (3) gas cost recovery.

Gas Demand and Customer Base

On average, the City provides its customers with approximately 5,400 Mcf of natural gas per day. Demand is largely seasonal, with the winter months experiencing higher consumption and in the summer months, lower consumption. In Fiscal Year 2020, the Gas Enterprise supplied approximately 16,200 customers with approximately 1,900 Mcf of natural gas. The following table sets forth a five-year history of sales amounts and natural gas deliveries in Mcf by customer type.

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**City of Lancaster Municipal Gas Department
Natural Gas Sales and Deliveries in Mcf (Unaudited)**

Fiscal Year Ending	Deliveries in Sales Dollars (\$)				Deliveries in Mcf (000's)			
	Residential¹	Commercial¹	Industrial¹	Total¹	Residential	Commercial	Industrial	Total
2016	\$6,648,669	\$2,414,365	\$2,289,552	\$11,352,586	823,669	336,460	565,280	1,725,409
2017	7,071,052	2,586,041	2,720,163	12,377,256	867,452	360,690	566,455	1,794,597
2018	8,332,323	3,056,198	2,440,008	13,828,526	1,025,126	429,019	606,682	2,060,827
2019	7,767,748	2,866,397	2,237,410	12,871,555	972,913	416,179	560,582	1,949,674
2020	6,542,948	2,323,405	2,038,986	10,905,339	901,035	373,378	598,138	1,877,551

Source: Gas Enterprise

¹ Includes gas sales and transmission of such gas.

The following table sets forth the ten largest customers of the Gas Enterprise for the Fiscal Year ended December 31, 2020. In the aggregate, the ten largest customers represented approximately 29% of the annual natural gas usage of the Gas Enterprise.

**City of Lancaster Municipal Gas Department
Ten Largest Customers (by sales)
Fiscal Year Ended December 31, 2020**

<u>Customer</u>	<u>MCF</u>	<u>Sales</u>
TreeHouse (Private Brands)	154,806	\$338,421
FMC	95,268	331,749
Crown Cork & Seal	70,225	231,683
WestRock	69,237	170,160
SRI Ohio	56,914	149,791
Anchor Hocking Dist.	42,686	252,147
FPM	14,515	51,584
Midwest Coatings	12,895	32,023
Complete Filter Media	12,795	39,296
Cintas	<u>11,340</u>	<u>71,564</u>
Totals	550,681	\$1,668,418

The City has three Certified Industrial Parks located on the City's west and east sides. Total available acreage utility served is approximately five hundred acres and the City is strategically planning additional industrial sites. All sites are served by Lancaster Municipal Gas.

The City has teamed with other communities in the area to create the Fairfield 33 Development Alliance that is responsible for marketing the region. The Alliance is a public/private partnership with an annual operating budget of over \$135,000 per year and funded by a public and private partnership. The Rock Mill Industrial Park is served by the Gas Enterprise and pipelines are already in place to provide natural gas service.

Financial Information

Summary of Financial Operations. The following tables present the Statements of Net Assets and Statements of Revenues, Expenses and Changes in Fund Net Assets for the Gas Enterprise. The statements show the audited results for Fiscal Years 2016 through 2020.

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City of Lancaster Municipal Gas Department
Statements of Net Assets (Audited)
Fiscal Years ended December 31, 2016 through 2020

	2016	2017	2018	2019	2020
Assets:					
Current Assets:					
Cash & Cash Equivalents	\$ 137,012	\$ 992,952	\$ 1,057,774	\$ 1,170,799	\$ 2,281,214
Cash & Cash Equivalents with Fiscal Agent	0	0	0	0	0
Investments	9,766,303	8,890,411	9,770,353	8,805,394	8,333,945
Accounts Receivable	2,364,439	2,359,418	2,268,230	1,958,206	1,961,003
Interest Receivable	0	0	0	0	0
Due from Other Funds	0	0	0	0	0
Inventory	2,315,309	2,102,965	3,292,479	2,004,250	1,402,868
Prepaid Items	24,567	24,318	26,857	30,365	32,238
Prepaid Gas Supply - Current	0	0	0	0	0
Total Current Assets	\$14,607,630	\$14,370,064	\$16,415,693	\$13,969,014	\$14,011,268
Noncurrent Assets:					
Restricted Assets	0	0	0	0	0
Cash & Cash Equivalents	116,377	120,823	127,047	156,272	139,017
Investments	0	0	0	0	0
Total Restricted Assets	\$116,377	\$120,823	\$127,047	\$156,272	\$139,017
Prepaid Gas Supply:					
Land Held for Resale	0	0	0	0	0
Fair Value of Derivative Instruments	0	0	0	0	0
Capital Assets:					
Capital Assets Not Being Depreciated	458,211	856,725	293,273	293,273	290,273
Capital Assets Being Depreciated	11,533,505	11,854,201	13,207,606	14,691,431	15,529,046
Total Capital Assets (net of accumulated depreciation)	\$11,991,716	\$12,710,926	\$13,500,879	\$14,984,704	\$15,819,319
Total Noncurrent Assets	\$12,108,093	\$12,831,749	\$13,627,926	\$15,140,976	\$15,958,336
Total Assets	\$26,715,723	\$27,201,813	\$30,043,619	\$29,109,990	\$29,969,604
Deferred Outflows of Resources:					
Deferred Loss on Early Retirement of Debt	675,674	874,523	421,799	885,162	0
Pension	0	0	82,630	107,924	307,853
OPEB	0	0	0	0	209,417
Deferred Outflow from Derivative Instruments	0	0	0	0	0
Total Deferred Outflows of Resources	\$675,674	\$874,523	\$504,429	\$993,086	\$517,270

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	2016	2017	2018	2019	2020
Liabilities:					
Current Liabilities:					
Accounts Payable	\$266,404	\$ 325,276	\$ 507,474	\$ 370,718	\$304,684
Accrued Wages & Benefits	46,673	49,656	60,546	67,814	76,465
Intergovernmental Payable	0	0	0	0	0
Claims Payable	0	0	0	0	0
Due to Others, Payable from Restricted Assets	116,377	120,823	127,047	156,272	139,017
Due to Other Funds	537,762	508,193	788,728	366,136	352,385
Unearned Revenue	0	0	0	0	0
Accrued Interest Payable	0	0	0	0	0
General Obligation Notes Payable	0	0	0	0	0
Capital Leases Payable - Current	0	0	0	0	0
Revenue Bond Payable - Current	0	0	0	0	0
Installment Loan Payable - Current	0	0	0	0	0
Compensated Absences Payable - Current	25,516	28,164	41,523	45,720	43,129
Total Current Liabilities	\$992,732	\$1,032,112	\$1,525,318	\$1,006,660	\$915,680
Noncurrent Liabilities:					
Capital Leases Payable	0	0	0	0	0
Installment Loan Payable	0	0	0	0	0
Revenue Bonds Payable	0	0	0	0	0
Compensated Absences Payable	402,704	426,177	472,632	464,190	379,623
Net Pension Liability	1,776,141	2,263,890	1,634,978	2,912,303	1,905,350
Net OPEB Liability	0	0	1,122,840	1,376,160	1,322,776
Fair Value of Derivative Instruments	0	0	0	0	0
Total Noncurrent Liabilities	\$2,178,845	\$2,690,067	\$3,230,450	\$4,752,653	\$3,607,749
Total Liabilities	\$3,171,577	\$3,722,179	\$4,755,768	\$5,759,313	\$4,523,429
Deferred Inflows of Resources:					
Pension	34,318	43,609	398,914	39,477	535,101
OPEB	0	0	83,644	3,734	262,398
Deferred Inflow from Derivative Instruments	0	0	0	0	0
Total Deferred Inflow of Resources	\$34,318	\$43,609	\$482,558	\$43,211	\$797,499
Net Position:					
Net Investment in Capital Assets	11,991,716	12,710,926	13,500,879	14,984,704	15,819,319
Restricted for Gas Insurance Deposit	0	0	0	0	0
Unrestricted	12,193,786	11,599,622	11,808,843	9,315,848	9,346,627
Total Net Position	\$24,185,502	\$24,310,548	\$25,309,722	\$24,300,552	\$25,165,946

City of Lancaster Municipal Gas Department
Statements of Revenues, Expenses and Changes in Fund Net Assets (Audited)
Fiscal Years ended December 31, 2016 through 2020

	2016	2017	2018	2019	2020
Operating Revenues:					
Charges for Services	\$11,732,603	\$12,244,265	\$13,710,941	\$12,702,255	\$11,448,952
Other Operating Revenues	686,599	1,101,905	466,665	172,377	295,395
Total Operating Revenues	\$12,419,202	\$13,346,170	\$14,177,606	\$12,874,632	\$11,744,347
Operating Expenses:					
Personal Services	\$ 1,842,472	\$ 2,146,569	\$ 2,262,602	\$ 2,661,288	\$2,185,163
Contractual Services	1,022,527	776,528	1,093,314	1,058,507	890,110
Cost of Gas Sold	7,034,712	8,948,378	7,304,588	8,504,227	6,217,386
Materials and Supplies	583,805	534,646	615,550	683,566	609,107
Depreciation	757,909	815,003	891,362	977,653	942,007
Health Insurance Claims	0	0	0	0	0
Total Operating Expenses	\$11,239,425	\$13,221,124	\$12,167,416	\$13,885,241	\$10,843,773
Operating Income (Loss)	\$1,179,777	\$125,046	\$2,010,190	(\$1,010,609)	\$900,574
Non-Operating Revenue (Expenses)					
Interest Income	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0
Gain on Sale of Capital Assets	0	0	0	1,439	0
Loss on Disposal of Capital Assets	0	0	0	0	(35,180)
Intergovernmental Grants	0	0	0	0	0
Other Non-operating Revenue	0	0	0	0	0
Total Non-Operating Revenue (Expenses)	0	0	0	\$1,439	(\$35,180)
Income (Loss) Before Contributions & Special Items	\$1,179,777	\$125,046	\$2,010,190	(\$1,009,170)	\$865,394
Capital Contributions	0	0	0	0	0
Transfers Out	0	0	0	0	0
Transfers In	4,670	0	0	0	0
Change in Net Position	\$1,184,447	\$125,046	\$2,010,190	(\$1,009,170)	\$865,394
Net Position Beginning of Year	\$23,001,055	\$24,185,502	\$23,299,532	\$25,309,722	\$24,300,552
Net Position End of Year	\$24,185,502	\$24,310,548	\$25,309,722	\$24,300,552	\$25,165,946

The following discussion is an overview of the results of the City of Lancaster Municipal Gas Department figures for the Fiscal Years ended December 31, 2019 and 2020.

The total volume of natural gas delivered in Fiscal Year 2020 was 1,877,551 Mcf, compared to 1,949,674 Mcf, in Fiscal Year 2019. The average sale of natural gas per Mcf was \$5.80 in Fiscal Year 2020, compared to \$6.60 in Fiscal Year 2019 due to lower cost of natural gas supply.

Outstanding Indebtedness. The Gas Enterprise has no outstanding indebtedness.

Accounting and Annual Budget. The City's and the Gas Enterprise's Fiscal Year begins on January 1st and ends the subsequent December 31st. All accounting functions for the Gas Enterprise are fully computerized providing control of income and expense. All operating records of the Gas Enterprise are audited annually by the Auditor of the City as well as by an independent certified public accountant.

An annual operating budget is developed by the Gas Enterprise staff and is then submitted to the Mayor/City Council for inclusion in the City budget. The City Council must approve the City budget prior to the beginning of each Fiscal Year. Additionally, Lancaster Municipal Gas prepares and updates a five-year plan.

Risk Management and Insurance. Pursuant to statutes enacted in November, 1985, the liability of political subdivisions has been significantly reduced. As a general rule, Ohio law provides that political subdivisions such as the City have immunity from liability in damages for injury, death, or loss to persons or property allegedly caused by an act or omission of such political subdivisions or their employees in connection with governmental and proprietary functions, as defined in the Ohio statutes. The statutes have no effect on any liability imposed by federal law or other federal cause of action.

Pursuant to Ohio law, there are, however, five areas in which a political subdivision may be held liable for such loss. These include the negligent operation of a motor vehicle on public roads, highways or streets; negligent performance of proprietary functions; failure to keep public roads, highways, streets, sidewalks, bridges or public grounds open, in repair, and free from nuisance; negligence of employees within or upon the grounds of buildings used in the performance of governmental functions, excluding jails, juvenile detention workhouses and other detention facilities; and liability specifically imposed by statute. Ohio law also imposes a two-year statute of limitations and puts limits on the damages which may be recovered from such political subdivisions. No punitive or exemplary damages can be recovered, and any insurance benefits are deducted from any award against a political subdivision. Although there is no limitation with respect to compensatory damages representing a person's economic loss, there is a \$250,000 per person ceiling on the compensatory damage that represents a person's non-economic loss in cases other than wrongful death, in which case there is no maximum limitation.

The City is insured and carries general liability, personal injury, business auto, boiler and machinery, and public officials' insurance coverage. The City carries a \$25,000 deductible for both police and professional liability insurance. The City also has an umbrella policy for claims in excess of \$1,000,000. Additionally, the City has a Cyber Liability Insurance through AIG in the Amount of \$1,000,000 with a \$25,000 deductible.

Pension Plan. All Gas Enterprise employees are City employees. The Gas Enterprise contributes its share of pension costs based upon rates established by PERS for the City's general employees. PERS does not calculate a separate pension obligation for the Gas Enterprise. Copies of PERS' annual financial report may be obtained from their executive office at: 277 East Town Street, Columbus, Ohio 43215. Since PERS is on a fiscal year ending December 31, all actuarial calculations for the City's retirement plan are made on a fiscal year ending December 31 which mirrors the City's and the Gas Enterprise's December 31 fiscal year end.

Investment Policy. The City has an Investment Committee that meets quarterly, consisting of the Mayor, Law Director, City Auditor, and the City Treasurer. The Committee reviews the status of funds available for investment, votes on changes to investment levels and ensures compliance with statutes under the Ohio Revised Code.

DEBT TABLES AND APPENDICES

Debt Tables A, B, C and D and Appendices A, B, C and D which follow are a part of this Annual Information Filing.

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DEBT TABLE A

**Principal Amounts of Outstanding Debt;
Leeway for Additional Debt Within Direct Debt Limitations
(as of December 31, 2020)**

A.	Total debt:		\$29,407,374
B.	Exempt debt:		
	Category	Outstanding Principal Amount	
	Income Tax	\$ 1,080,000	
	Revenue	19,400,000	
	Special Assessment	28,000	
	Tax Increment Financing	372,000	
	Total exempt debt:		\$20,880,000
C.	Total nonexempt debt [A minus B]		\$ 8,527,374
D.	5-1/2% of tax (assessed) valuation (unvoted nonexempt debt limitation):		\$47,341,728
E.	Total nonexempt limited tax bonds and notes outstanding:		
	Bonds	\$ 8,527,374	
	Notes	-0-	\$ 8,527,374
F.	Debt leeway within 5-1/2% unvoted debt limitation [D minus E]		\$38,814,354 ^(a)
G.	10-1/2% of tax (assessed) valuation (voted and unvoted debt limitation):		\$90,379,663
H.	Total nonexempt bonds and notes outstanding:		
	Bonds	\$ 8,527,374	
	Notes	-0-	\$ 8,527,374
I.	Debt leeway within 10-1/2% debt limitation [G minus H]		\$81,852,289 ^(a)

(a) Debt leeway in this table determined without considering money in the Bond Retirement Fund.

DEBT TABLE B

**Various City and Overlapping
GO Debt Allocations (Principal Amounts)
(as of December 31, 2020)**

	Amount	Per Capita^(a)	% of City's Current Assessed Valuation^(b)
City Nonexempt GO Debt	\$ 8,527,374	\$ 212.34	0.99%
Total City GO Debt (exempt and nonexempt)	10,007,374	249.19	1.16
Highest Total Overlapping GO Debt ^(c)	125,731,717	3,130.85	14.61

(a) Based on 2019 (estimated for City) population of 40,159.

(b) The City's assessed valuation as of December 31, 2020: \$860,758,700.

(c) Includes, in addition to "Total City GO Debt," allocations of total GO debt of overlapping debt issuing subdivisions (as of December 31, 2020) resulting in the calculation of highest total overlapping debt based on percent of tax (assessed) valuation of territory of the subdivisions located within the City (% figures are resulting percent of total debt of subdivisions allocated to the City in this manner), as follows:

\$ 3,572,766 County (18.87%);
 \$ 112,151,367 Lancaster City School District (76.67%); and
 \$ 210 Eastland-Fairfield Career Center JVSD (0.06%).

Allocation of GO debt of the remaining overlapping debt issuing subdivisions was as follows:

\$ 8,190 Greenfield Township (0.78%);
 \$ 3,705 Amanda-Clearcreek Local School District (0.57%); and
 \$ 5,320 Berne Union Local School District (1.78%).

Source of tax (assessed) valuation and confirmation of GO debt figures for overlapping subdivisions: OMAC*.

* Ohio Municipal Advisory Council ("OMAC") compiles information from official and other sources. OMAC believes the information it compiles is accurate and reliable, but OMAC does not independently confirm or verify the information and does not guaranty its accuracy. OMAC has not reviewed this Annual Information Filing to confirm that the information attributed to it is information provided by OMAC or for any other purpose.

DEBT TABLE C

**Projected Debt Charges Requirements on City GO Debt
(as of December 31, 2020)**

Year	Debt Charges on		Total Debt Charges	Portions of Total Debt Charges Anticipated to be Paid From			
	Outstanding Bonds	Bonds Anticipated by BANs		Limited Ad Valorem Taxes	Special Assessments	Income Tax	Tax Increment Financing
2021	\$1,084,848.47	\$ 0.00	\$1,084,848.47	\$921,637.22	\$29,400.00	\$ 0.00	\$133,811.25
2022	1,053,640.44	109,800.00	1,163,440.44	918,302.69	0.00	109,800.00	135,337.75
2023	945,176.52	107,100.00	1,052,276.52	928,384.52	0.00	107,100.00	16,792.00
2024	882,425.00	104,400.00	986,825.00	865,605.00	0.00	104,400.00	16,820.00
2025	473,515.50	101,700.00	575,215.50	456,787.50	0.00	101,700.00	16,728.00
2026	476,182.50	104,000.00	580,182.50	459,362.50	0.00	104,000.00	16,820.00
2027	473,388.00	101,000.00	574,388.00	456,600.00	0.00	101,000.00	16,788.00
2028	474,523.50	98,000.00	572,523.50	457,787.50	0.00	98,000.00	16,736.00
2029	475,364.00	100,000.00	575,364.00	458,600.00	0.00	100,000.00	16,764.00
2030	475,268.00	96,700.00	571,968.00	458,400.00	0.00	96,700.00	16,868.00
2031	474,544.00	93,400.00	567,944.00	457,800.00	0.00	93,400.00	16,744.00
2032	456,800.00	95,100.00	551,900.00	456,800.00	0.00	95,100.00	0.00
2033	460,400.00	91,500.00	551,900.00	460,400.00	0.00	91,500.00	0.00
2034	458,400.00	87,900.00	546,300.00	458,400.00	0.00	87,900.00	0.00
2035	456,000.00	89,300.00	545,300.00	456,000.00	0.00	89,300.00	0.00
2036	458,200.00	85,400.00	543,600.00	458,200.00	0.00	85,400.00	0.00
2037	459,800.00	81,500.00	541,300.00	459,800.00	0.00	81,500.00	0.00
2038	455,800.00	82,600.00	538,400.00	455,800.00	0.00	82,600.00	0.00
2039	456,400.00	78,400.00	534,800.00	456,400.00	0.00	78,400.00	0.00
2040	456,400.00	74,200.00	530,600.00	456,400.00	0.00	74,200.00	0.00
2041	455,800.00	0.00	455,800.00	455,800.00	0.00	0.00	0.00
2042	459,600.00	0.00	459,600.00	459,600.00	0.00	0.00	0.00
2043	457,600.00	0.00	457,600.00	457,600.00	0.00	0.00	0.00

DEBT TABLE D

Outstanding GO Bonds and Bond Anticipation Notes, and Revenue Bonds

The following debt is reflected in **Debt Tables A, B and C.**

Bonds				
General Purpose of Issue	Date of Issuance	Final Maturity	Original Principal Amount	Outstanding Principal Amount
Special Assessment	01/01/2001	12/01/2021	\$ 367,000	\$ 28,000
Street Improvement	10/13/2010	12/01/2022	2,800,000	225,000
Fire Truck Loan	12/27/2013	12/06/2023	470,575	157,374
Courthouse	06/24/2014	12/01/2043	8,315,000	6,845,000
Various Purpose Refunding	09/17/2014	12/01/2024	3,415,000	1,525,000
Street Improvement	10/08/2014	12/01/2031	204,200	147,000

Notes						
General Purpose of Issue	Principal Amount	Due	Estimated		Original Notes	
			Bond Maturity Years	Interest Rate	Year of Issuance	Principal Amount
Courthouse	\$1,080,000	12/17/2021	19	6.00%	2015	\$1,800,000

The following debt is reflected in **Debt Table A** as exempt debt.

Revenue Bonds				
Issue	Date of Issuance	Final Maturity	Original Principal Amount	Outstanding Principal Amount
Water System Refunding	06/14/2012	12/01/2029	\$5,795,000	\$ 3,810,000
Wastewater System Refunding	06/14/2012	12/01/2029	3,680,000	2,425,000
Wastewater System Refunding	06/01/2016	12/01/2033	15,395,000	13,165,000

APPENDIX A

Comparative Cash-Basis Summary of General Fund Receipts and Expenditures for Fiscal Years 2016 through 2020

	2016	2017	2018	2019	2020
Beginning Balance	\$4,529,797.90	\$5,020,857.99	\$5,253,282.44	\$3,743,734.37	\$4,656,640.24
RECEIPTS:					
Taxes	\$12,288,131.86	\$12,098,248.15	\$12,325,348.14	\$13,326,147.14	\$13,494,624.24
Intergovernmental Revenue	1,096,156.40	987,689.64	1,150,161.61	1,175,675.26	1,263,386.54
Charges for Services	754,876.39	762,125.73	699,526.00	847,999.06	582,271.87
Licenses, Permits, Fines/Fees	3,549,452.60	3,427,674.11	3,507,362.45	3,711,432.23	3,220,573.03
Investment Earnings	336,611.87	400,052.07	500,962.85	643,080.01	455,740.52
Special Assessments	0.00	0.00	0.00	0.00	0.00
All Other Revenue	177,942.19	302,009.89	270,082.99	424,374.46	2,931,680.88
TOTAL RECEIPTS	\$18,203,171.31	\$17,977,799.59	\$18,453,444.04	\$20,128,708.16	\$21,948,277.08
EXPENDITURES:					
Security of Persons and Property	\$203,690.00	\$217,287.19	\$231,535.16	\$236,959.75	\$8,837,846.87
Public Health and Welfare	294,933.60	294,933.60	294,936.60	309,682.80	317,424.87
Leisure Time Activity	0.00	0.00	0.00	0.00	0.00
Community Environment	90,749.66	49,845.03	43,462.37	143,486.50	128,129.23
Transportation	0.00	0.00	0.00	0.00	0.00
General Government	5,831,751.22	5,994,990.72	6,197,633.57	6,158,333.62	6,145,400.09
Debt Service					
Principal Retirement	458,022.40	485,744.84	449,703.31	444,796.32	446,468.79
Interest and Fiscal Charges	7,354.78	6,203.78	5,022.17	7,572.11	3,513.67
TOTAL EXPENDITURES	\$6,886,501.66	\$7,049,005.16	\$7,222,293.18	\$7,300,831.10	\$15,878,783.52
OTHER FINANCING SOURCES (Uses)					
Sale of Capital Assets	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Advances In	0.00	0.00	0.00	0.00	0.00
Advances Out	0.00	0.00	0.00	0.00	0.00
Transfer Out	(10,825,609.56)	(10,696,369.98)	(12,740,698.93)	(11,914,971.19)	(1,153,962.00)
TOTAL OTHER FINANCING SOURCES	(\$10,825,609.56)	(\$10,696,369.98)	(\$12,740,698.93)	(\$11,914,971.19)	(\$1,153,962.00)
GRAND TOTAL EXPENDITURES AND OTHER FINANCING	\$17,712,111.22	\$17,745,375.14	\$19,962,992.11	\$19,215,802.29	\$17,032,745.52
ENDING BALANCE	\$5,020,857.99	\$5,253,282.44	\$3,743,734.37	\$4,656,640.24	\$9,572,171.80

APPENDIX B

**All-Funds Summary 2020
(Cash Basis)**

Fund	Beginning Balance	Receipts	Expenditures	Ending Balance
General Fund	\$4,656,640.24	\$21,948,277.08	\$17,032,745.52	\$9,572,171.80
Cemetery Fund	396,481.02	562,509.18	533,664.38	425,325.82
Department of Transportation	1,101,184.24	4,139,619.91	3,937,372.04	1,303,432.11
3 Mil Street Improv Levy	506,602.50	2,246,679.27	2,365,502.33	387,779.44
Parks and Recreation Fund	705,174.24	2,023,868.76	1,984,786.37	744,256.63
City Income Tax Fund	1,769,100.99	20,668,362.85	21,187,305.52	1,250,158.32
Special Improvement District	0.00	76,832.08	76,832.08	0.00
Lanc Public Transit Program	236,592.89	2,194,218.66	1,897,541.58	533,269.97
911 Tariff - Police	153,758.13	112,139.02	15,645.69	250,251.46
Edward Byrne Grant-Law Dir	427.56	0.00	0.00	427.56
Law Dir Violence Against Women	42,908.00	83,595.05	80,884.06	45,618.99
Lanc Community Dev Fund	37,124.92	204,010.99	171,122.48	70,013.43
Law Enf Block/Jag Grant\Police	0.00	0.00	0.00	0.00
Police & Fire Pension	14,889.36	510,285.56	525,036.82	138.10
Cops Hiring Program-Police	0.00	0.00	0.00	0.00
Community Corrections Fund	28,163.69	0.00	0.00	28,163.69
Public Sites & Open Spaces- Law	77,773.01	14,880.00	21,210.00	71,443.01
Indigent Driver Alcohol Treat Fund	257,088.91	31,624.22	8,774.08	279,939.05
Law Enforcement Education Fund	92,831.73	2,500.01	0.00	95,331.74
Muni Ct Judicial Computer Fund	71,719.57	37,008.78	41,762.00	66,966.35
Muni Ct Probation Fund	404,266.66	1,025,551.86	776,769.38	653,049.14
Muni Ct Clerk Computer Fund	134,222.94	149,997.56	166,177.22	118,043.28
Municipal Crt Special Projects	702,623.40	832,764.55	919,749.57	615,638.38
Muni Court Family Violence Fund	19,774.20	375.50	0.00	20,149.70
Muni Ct/Judicial/Drug Ct/ADAMH	93,966.77	221,833.65	228,788.98	87,011.44
FEMA Grant	0.00	171,818.18	171,818.18	0.00
Ohio Peace Officers Training	38,333.00	2,500.00	0.00	40,833.00
A R R A Stimulus Fund	0.00	12,943.06	0.00	23,986.86
Drug Use Prevention Program	11,043.80	0.00	0.00	2,779.56
Safe Route To School-Law Dir	2,779.56	0.00	0.00	0.00
SAFER Grant - Fire Dept	0.00	1,762,275.66	1,741,816.15	457,301.68
.15 Fire Levy	436,842.17	5,383,941.36	4,643,369.41	1,479,754.67
.45 Police & Fire Levy	739,182.72	15,439.91	16,009.59	64,858.51
DOJ Equitable Sharing	65,428.19	0.00	0.00	0.00
Local Coronavirus Relief Fund	0.00	3,130,990.01	3,130,990.01	0.00
Community Dev Block Grant Fund	3,924.30	536,253.66	496,267.70	43,910.26
Home Loan Repay Revolving Acct	21,367.63	383.65	384.00	21,367.28
CDBG Loan Repay Revolving Acct	25,200.51	691.28	672.00	25,219.79
Comm. Dev Chip Home Program Fund	46,319.49	68,592.25	77,531.10	37,380.64
Home/Chip 2000 Comm Development	0.00	0.00	0.00	0.00
State Highway Fund	197,917.02	163,055.75	310,000.00	50,972.77
LDOT Improvement Fund	1,224,580.48	1,223,027.34	2,068,743.15	378,864.67
Parks Improvement Fund	83,774.29	115,772.00	57,365.88	142,180.41
General Improvement Fund	44,028.53	0.00	0.00	44,028.53

Fund	Beginning Balance	Receipts	Expenditures	Ending Balance
Improvement Fund	0.00	0.00	0.00	0.00
Capital Improvements	570,970.61	511,230.81	376,032.44	706,168.98
Fire Impact-District One	579,238.00	554,071.70	307,006.59	826,303.11
Ety Road TIF Project	62.16	0.74	0.00	62.90
Ety Rd TIF Service Fund	18,974.35	1,511,711.10	1,513,815.72	16,869.73
Bond Retirement	0.00	2,153,312.50	2,153,312.50	0.00
Downtown Spec Assessment Debt	40,111.63	38,816.76	1,873.04	77,055.35
Gas Fund	9,976,192.75	11,936,850.60	11,305,747.07	10,607,296.28
Water Revenue Fund	2,791,845.18	9,744,501.62	9,017,757.74	3,518,589.06
Waste Water Revenue Fund	14,908,251.64	12,730,596.11	14,208,436.93	13,430,410.82
Sanitation Fund	1,147,585.18	4,373,294.88	4,059,595.06	1,461,285.00
Storm Water Sewer Fund	781,977.41	3,082,460.87	3,476,628.23	387,810.05
Stormwater Rebate	0.00	0.00	0.00	0.00
Stormwater Utility Reserve	2,578,706.02	5,179,222.27	6,308,288.20	1,449,640.09
Stormwater Construction	0.00	0.00	0.00	0.00
Stormwater R & I	1,000,000.00	0.00	0.00	1,000,000.00
Water Well Head Protection Fd	500,000.00	0.00	0.00	500,000.00
Waste Water Replace & Imp Fd	2,266,408.02	369,552.51	302,611.45	2,333,349.08
Water Replacement & Imp Fund	1,328,116.56	291,033.06	387,138.04	1,232,011.58
Water Construction Fund	1,861.55	23.74	0.00	1,885.29
Water Utility Reserve Fund	1,823,216.03	2,045,846.88	2,016,034.66	1,853,028.25
Water Rebate Fund	0.00	0.00	0.00	0.00
Waste Water Utility Reserve Fd	4,569,269.50	7,390,670.70	4,279,899.50	7,680,040.70
Waste Water Construction Fd	58,439.31	685.95	36,849.68	22,275.58
Waste Water Rebate Fund	0.00	0.00	0.00	0.00
Utilities Deposits Fund	214,080.20	114,960.25	138,597.19	190,443.26
Utilities Collection Fund	673,523.92	1,869,307.98	1,803,548.78	739,283.12
Fuel Depot Fund	106,056.69	579,883.25	583,545.49	102,394.45
Information Services	516,360.17	1,000,421.79	797,319.57	719,462.39
Health Insurance Management Fd	71,530.07	8,779,265.35	7,944,613.51	906,181.91
Street Repair Deposit Fund	0.00	0.00	0.00	0.00
BUSTR Finance Response Fd	33,000.00	0.00	0.00	33,000.00
Gas Insurance Reserve Fund	0.00	0.00	0.00	0.00
Treasury Investment Capital	0.00	0.00	0.00	0.00
Budgetary Agency Fd	104,475.26	156,397.43	195,986.04	64,886.65
Utility Agency Overpayments	162,611.14	101,924.05	36,401.28	228,133.91
Unclaimed Funds	52,426.18	18,755.61	3,795.71	67,386.08
Code Enf - Fire Ins Escrow	0.00	0.00	0.00	0.00
Parks Rental Deposits	22,825.00	35,475.00	23,435.00	34,865.00
Cemetery Perpetual Care Fund	1,015,615.56	24,010.00	0.00	1,039,625.56
Cemetery Pre Interment Fund	276,018.80	29,400.00	38,186.00	267,232.80
Treas Post Closure Tr/Landfill	537,424.76	0.00	0.00	537,424.76
BWC Processing	0.00	134,847.14	134,847.14	0.00
Hotel/Motel Tax	0.00	139,406.35	129,127.38	10,278.97
Law Library Fund	0.00	38,310.16	38,310.16	0.00
Totals	\$63,171,210.31	\$144,610,865.81	\$136,305,377.37	\$71,476,698.75

APPENDIX C

**Audited Annual
Financial Report for Year Ended December 31, 2020
(Unaudited)**

CITY OF LANCASTER, OHIO

**Statement of Net Position
December 31, 2020**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 13,913,855	\$ 14,533,483	\$ 28,447,338
Investments	11,045,701	35,613,696	46,659,397
Receivables:			
Taxes	9,230,763	0	9,230,763
Accounts	246,376	4,903,004	5,149,380
Intergovernmental	2,937,519	0	2,937,519
Interest	96,841	73,686	170,527
Special Assessments	27,833	0	27,833
Loans	1,558,443	0	1,558,443
Internal Balances	(155,870)	155,870	0
Inventory of Supplies	480,310	2,399,243	2,879,553
Prepaid Items	74,635	70,409	145,044
Prepaid Gas Supply - Current	0	15,414,635	15,414,635
Prepaid Gas Supply	0	212,545,453	212,545,453
Land Held for Resale	0	1,845,511	1,845,511
Fair Value of Derivative Instruments	0	186,323,268	186,323,268
Restricted Assets:			
Cash and Cash Equivalents	0	9,446,631	9,446,631
Cash and Cash Equivalents with Fiscal Agent	4,736	0	4,736
Investments	0	537,425	537,425
Capital Assets Not Being Depreciated	18,679,797	13,156,124	31,835,921
Capital Assets Being Depreciated, Net	46,472,833	115,161,473	161,634,306
Total Assets	104,613,772	612,179,911	716,793,683
Deferred Outflows of Resources:			
Deferred Loss on Early Retirement of Debt	53,957	1,502,065	1,556,022
Pension	6,614,897	1,476,340	8,091,237
OPEB	4,370,488	998,773	5,369,261
Total Deferred Outflows of Resources	11,039,342	3,977,178	15,016,520
Liabilities:			
Accounts Payable	861,664	1,345,137	2,206,801
Accrued Wages and Benefits	1,097,501	1,242,727	2,340,228
Intergovernmental Payable	228,512	1,821	230,333
Claims Payable	361,245	0	361,245
Retainage Payable	0	95,118	95,118
Due to Others, Payable from Restricted Assets	34,865	190,443	225,308
Unearned Revenue	0	7,812	7,812
Accrued Interest Payable	30,070	6,684,865	6,714,935
General Obligation Notes Payable	2,348,309	0	2,348,309
Long Term Liabilities:			
Due within one year	1,660,723	6,677,163	8,337,886
Due in More than One Year:			
Net Pension Liability	42,038,010	9,087,193	51,125,203
Net OPEB Liability	12,714,167	6,308,724	19,022,891
Other Amounts Due in More than One Year	13,698,394	386,449,636	400,148,030
Total Liabilities	75,073,460	418,090,639	493,164,099

CITY OF LANCASTER, OHIO

	Governmental Activities	Business-Type Activities	Total
Deferred Inflows of Resources:			
Property Taxes	4,636,069	0	4,636,069
Pension	6,436,537	2,260,113	8,696,650
OPEB	2,875,645	1,084,988	3,960,633
Deferred Inflow from Derivative Instruments	0	186,323,268	186,323,268
Total Deferred Inflows of Resources	13,948,251	189,668,369	203,616,620
Net Position:			
Net Investment in Capital Assets	54,184,923	78,086,549	132,271,472
Restricted For:			
Streets and Highways	3,231,435	0	3,231,435
Community Development	2,511,461	0	2,511,461
Security of Persons and Property	3,336,145	0	3,336,145
Public Health and Welfare	1,702,733	0	1,702,733
Capital Projects	360,935	0	360,935
Debt Service	74,951	2,345,297	2,420,248
Unrestricted (Deficit)	(38,771,180)	(72,033,765)	(110,804,945)
Total Net Position	\$ 26,631,403	\$ 8,398,081	\$ 35,029,484

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Activities
For the Year Ended December 31, 2020**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 20,807,024	\$ 2,361,458	\$ 3,305,157	\$ 0
Public Health and Welfare Services	908,121	232,990	0	0
Leisure Time Activities	2,246,039	227,714	61,375	421,000
Community Environment	929,581	77,264	649,743	0
Transportation	8,335,716	981,977	5,551,371	71,066
General Government	10,736,341	2,609,556	968,713	0
Interest and Fiscal Charges	467,415	0	0	0
Total Governmental Activities	44,430,237	6,490,959	10,536,359	492,066
Business-Type Activities:				
Gas	10,832,957	11,744,347	0	0
Water	8,338,909	9,351,767	90,059	0
Water Pollution	9,454,081	12,611,471	355,075	0
Sanitation	4,121,258	4,377,576	8,262	0
Storm Water	2,366,316	3,091,294	0	40,663
Port Authority	16,295,697	3,645,317	32,897	0
Total Business-Type Activities	51,409,218	44,821,772	486,293	40,663
Totals	\$ 95,839,455	\$ 51,312,731	\$ 11,022,652	\$ 532,729

General Revenues:

Property Taxes Levied for:
 General Purposes
 Special Purposes
 Debt Service
 Capital Outlay
 Income Taxes
 Other Local Taxes
 Intergovernmental Revenues not Restricted to Specific Programs
 Investment Earnings
 Miscellaneous
 Special Item - Transfer of Assets and Liabilities
 Transfers
 Total General Revenues, Special Item and Transfers
 Change in Net Position
 Net Position Beginning of Year
Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (15,140,409)	\$ 0	\$ (15,140,409)
(675,131)	0	(675,131)
(1,535,950)	0	(1,535,950)
(202,574)	0	(202,574)
(1,731,302)	0	(1,731,302)
(7,158,072)	0	(7,158,072)
(467,415)	0	(467,415)
<u>(26,910,853)</u>	<u>0</u>	<u>(26,910,853)</u>
0	911,390	911,390
0	1,102,917	1,102,917
0	3,512,465	3,512,465
0	264,580	264,580
0	765,641	765,641
0	(12,617,483)	(12,617,483)
<u>0</u>	<u>(6,060,490)</u>	<u>(6,060,490)</u>
<u>(26,910,853)</u>	<u>(6,060,490)</u>	<u>(32,971,343)</u>
2,106,171	0	2,106,171
2,459,283	0	2,459,283
120,331	0	120,331
123,071	0	123,071
20,733,365	0	20,733,365
622,615	0	622,615
1,587,080	0	1,587,080
679,766	0	679,766
3,339,108	0	3,339,108
0	2,332,026	2,332,026
<u>(348,057)</u>	<u>348,057</u>	<u>0</u>
<u>31,422,733</u>	<u>2,680,083</u>	<u>34,102,816</u>
4,511,880	(3,380,407)	1,131,473
<u>22,119,523</u>	<u>11,778,488</u>	<u>33,898,011</u>
<u>\$ 26,631,403</u>	<u>\$ 8,398,081</u>	<u>\$ 35,029,484</u>

CITY OF LANCASTER, OHIO

**Balance Sheet
Governmental Funds
December 31, 2020**

	General	.45 Police and Fire Levy	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 2,743,985	\$ 1,479,755	\$ 7,919,052	\$ 12,142,792
Investments	8,790,482	0	2,255,219	11,045,701
Receivables:				
Taxes	4,540,650	1,149,211	3,540,902	9,230,763
Accounts	211,649	0	25,583	237,232
Intergovernmental	570,998	3,687	2,362,834	2,937,519
Interest	89,150	0	7,691	96,841
Special Assessments	0	0	27,833	27,833
Loans	0	0	1,558,443	1,558,443
Inventory of Supplies	123,997	0	317,960	441,957
Prepaid Items	29,197	30,745	14,693	74,635
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	4,736	0	0	4,736
Total Assets	\$ 17,104,844	\$ 2,663,398	\$ 18,030,210	\$ 37,798,452
Liabilities:				
Accounts Payable	\$ 247,215	\$ 47,509	\$ 517,780	\$ 812,504
Accrued Wages and Benefits Payable	644,722	156,233	280,106	1,081,061
Intergovernmental Payable	228,512	0	0	228,512
Due to Others	0	0	34,865	34,865
Accrued Interest Payable	0	0	133	133
General Obligation Notes Payable	0	0	2,348,309	2,348,309
Advances from Other Funds	0	0	147,000	147,000
Total Liabilities	1,120,449	203,742	3,328,193	4,652,384
Deferred Inflows of Resources:				
Property Taxes	2,030,000	0	2,606,069	4,636,069
Unavailable Revenue	1,984,404	657,586	2,338,031	4,980,021
Total Deferred Inflows of Resources	4,014,404	657,586	4,944,100	9,616,090
Fund Balances:				
Nonspendable	153,194	30,745	332,653	516,592
Restricted	0	1,771,325	9,323,904	11,095,229
Committed	0	0	2,585,119	2,585,119
Assigned	171,498	0	0	171,498
Unassigned	11,645,299	0	(2,483,759)	9,161,540
Total Fund Balances	11,969,991	1,802,070	9,757,917	23,529,978
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 17,104,844	\$ 2,663,398	\$ 18,030,210	\$ 37,798,452

See accompanying notes to the basic financial statements

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2020***

Total Governmental Fund Balances		\$ 23,529,978
 <i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		64,764,870
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		4,980,021
Internal Service Funds are used by management to charge the costs of insurance, fuel usage and information services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		820,698
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	6,539,115	
Deferred Inflows - Pension	(6,316,192)	
Net Pension Liability	<u>(41,568,629)</u>	(41,345,706)
The net OBEP liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - OPEB	4,318,898	
Deferred Inflows - OPEB	(2,817,547)	
Net OPEB Liability	<u>(12,388,302)</u>	(10,886,951)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Ohio Public Works Commission Loans Payable	(72,257)	
General Obligation Bonds Payable	(8,703,949)	
Less: Deferred Charge on Refunding	53,957	
State Infrastructure Bank Loan Payable	(224,115)	
Ohio Water Development Authority Loan Payable	(240,912)	
Installment Loan	(157,374)	
Capital Leases Payable	(991,287)	
Compensated Absences Payable	(4,865,633)	
Accrued Interest Payable	<u>(29,937)</u>	
		<u>(15,231,507)</u>
<i>Net Position of Governmental Activities</i>		<u>\$ 26,631,403</u>

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020**

	General	.45 Police and Fire Levy	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 13,810,040	\$ 5,226,326	\$ 6,672,177	\$ 25,708,543
Intergovernmental Revenues	1,317,927	144,364	10,719,673	12,181,964
Charges for Services	2,928,908	1,733	1,980,874	4,911,515
Licenses, Permits and Fees	18,045	0	17,760	35,805
Investment Earnings	659,458	0	41,705	701,163
Special Assessments	0	0	115,648	115,648
Fines and Forfeitures	611,560	0	1,289,059	1,900,619
All Other Revenue	2,824,403	27,150	540,144	3,391,697
Total Revenue	22,170,341	5,399,573	21,377,040	48,946,954
Expenditures:				
Current:				
Security of Persons and Property	9,229,970	4,298,663	5,324,211	18,852,844
Public Health and Welfare Services	319,675	0	572,712	892,387
Leisure Time Activities	0	0	1,987,952	1,987,952
Community Environment	127,529	0	751,123	878,652
Transportation	0	0	7,921,027	7,921,027
General Government	7,150,836	0	1,832,432	8,983,268
Capital Outlay	0	0	2,017,312	2,017,312
Debt Service:				
Principal Retirement	36,354	0	1,081,603	1,117,957
Interest and Fiscal Charges	3,514	0	459,856	463,370
Total Expenditures	16,867,878	4,298,663	21,948,228	43,114,769
Excess (Deficiency) of Revenues Over Expenditures	5,302,463	1,100,910	(571,188)	5,832,185
Other Financing Sources (Uses):				
State Infrastructure Bank Loan	0	0	6,528	6,528
Transfers In	0	0	2,554,327	2,554,327
Transfers Out	(1,159,327)	0	(1,743,057)	(2,902,384)
Total Other Financing Sources (Uses)	(1,159,327)	0	817,798	(341,529)
Net Change in Fund Balances	4,143,136	1,100,910	246,610	5,490,656
Fund Balances at Beginning of Year	7,814,267	701,160	9,483,947	17,999,374
Increase in Inventory	12,588	0	27,360	39,948
Fund Balances End of Year	\$ 11,969,991	\$ 1,802,070	\$ 9,757,917	\$ 23,529,978

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, 2020***

Net Change in Fund Balances - Total Governmental Funds \$ 5,490,656

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 capital outlay exceeded depreciation expense in the current period.

Capital Outlay	3,576,282	
Depreciation Expense	(2,783,045)	793,237

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

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	421,000
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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.	(238,377)
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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.	(77,780)
--	----------

Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	3,501,396
--	-----------

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	(5,872,155)
--	-------------

Except for amounts reported as deferred inflows/outflows, changes in the net OPEB liability are reported as OPEB expense in the statement of activities.	(1,487,171)
--	-------------

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

Also governmental funds report the effect of premiums and similar items when debt is first issued, whereas, the amounts are deferred and amortized in the statement of activities.

State Infrastructure Bank Loan Payable	(6,528)
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(Continued)

CITY OF LANCASTER, OHIO

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

Ohio Public Works Commission Loans Payable	24,086	
General Obligation Bonds Payable	670,000	
Ohio Water Development Authority Loan Payable	18,972	
Installment Loan Payable	49,113	
Capital Leases Payable	356,908	1,119,079

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. 1,385

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	129,715	
Change in Inventory	39,948	
Amortization of Deferred Charge on Refunding	(13,489)	
Amortization of Bond Premium	8,059	164,233

Internal Service Funds used by management to charge the costs of insurance, fuel use and information 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. 702,905

Change in Net Position of Governmental Activities \$ 4,511,880

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, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 14,164,437	\$ 14,164,437	\$ 13,774,654	\$ (389,783)
Intergovernmental Revenue	1,347,176	1,347,176	1,300,035	(47,141)
Charges for Services	3,758,572	3,758,572	3,502,158	(256,414)
Licenses, Permits and Fees	20,300	20,300	18,045	(2,255)
Investment Earnings	581,300	581,300	455,741	(125,559)
Special Assessments	74,111	74,111	0	(74,111)
Fines and Forfeitures	801,000	801,000	628,737	(172,263)
All Other Revenues	102,094	210,956	2,828,277	2,617,321
Total Revenues	<u>20,848,990</u>	<u>20,957,852</u>	<u>22,507,647</u>	<u>1,549,795</u>
Expenditures:				
Current:				
Security of Persons and Property	12,376,270	12,378,212	8,937,248	3,440,964
Public Health and Welfare Services	330,955	330,955	327,195	3,760
Community Environment	159,174	161,325	140,415	20,910
General Government	8,258,591	8,563,789	7,824,161	739,628
Debt Service:				
Principal Retirement	39,398	39,398	36,354	3,044
Interest and Fiscal Charges	8,714	8,714	4,114	4,600
Total Expenditures	<u>21,173,102</u>	<u>21,482,393</u>	<u>17,269,487</u>	<u>4,212,906</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(324,112)	(524,541)	5,238,160	5,762,701
Other Financing Sources (Uses):				
Transfers Out	(1,144,327)	(1,169,327)	(1,159,327)	10,000
Total Other Financing Sources (Uses):	<u>(1,144,327)</u>	<u>(1,169,327)</u>	<u>(1,159,327)</u>	<u>10,000</u>
Net Change in Fund Balance	(1,468,439)	(1,693,868)	4,078,833	5,772,701
Fund Balance at Beginning of Year	6,310,811	6,310,811	6,310,811	0
Prior Year Encumbrances	304,832	304,832	304,832	0
Fund Balance at End of Year	<u>\$ 5,147,204</u>	<u>\$ 4,921,775</u>	<u>\$ 10,694,476</u>	<u>\$ 5,772,701</u>

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)
Special Revenue Fund - .45 Police and Fire Levy Fund
For the Year Ended December 31, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 5,209,726	\$ 5,209,726	\$ 5,209,726	\$ 0
Intergovernmental Revenue	0	137,719	141,246	3,527
Charges for Services	0	0	1,733	1,733
All Other Revenues	0	0	31,236	31,236
Total Revenues	<u>5,209,726</u>	<u>5,347,445</u>	<u>5,383,941</u>	<u>36,496</u>
Expenditures:				
Current:				
Security of Persons and Property	5,468,257	5,604,033	4,760,945	843,088
Total Expenditures	<u>5,468,257</u>	<u>5,604,033</u>	<u>4,760,945</u>	<u>843,088</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(258,531)	(256,588)	622,996	879,584
Fund Balance at Beginning of Year	481,095	481,095	481,095	0
Prior Year Encumbrances	258,088	258,088	258,088	0
Fund Balance at End of Year	<u>\$ 480,652</u>	<u>\$ 482,595</u>	<u>\$ 1,362,179</u>	<u>\$ 879,584</u>

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2020**

	Business-Type Activities			
	Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
Assets:				
Current assets:				
Cash and Cash Equivalents	\$ 2,281,214	\$ 1,645,744	\$ 5,340,002	\$ 355,742
Investments	8,333,945	5,573,723	18,372,287	1,133,251
Accounts receivable	1,961,003	902,321	1,321,362	418,013
Interest receivable	0	10,593	37,644	25,449
Due from Other Funds	0	0	0	0
Inventory	1,402,868	891,786	47,745	38,428
Prepaid Items	32,238	13,850	20,912	2,745
Prepaid Gas Supply - current	0	0	0	0
Total current assets	14,011,268	9,038,017	25,139,952	1,973,628
Noncurrent assets:				
Restricted Assets:				
Cash and Cash Equivalents	139,017	586,695	1,810,028	0
Investments	0	0	0	537,425
Total restricted assets	139,017	586,695	1,810,028	537,425
Prepaid Gas Supply	0	0	0	0
Land Held for Resale	0	0	0	0
Fair Value of Derivative Instruments	0	0	0	0
Advance to Other Funds	0	0	0	147,000
Capital assets:				
Capital Assets Not Being Depreciated	290,273	687,011	4,543,229	265,622
Capital Assets Being Depreciated	15,529,046	21,268,681	52,374,435	2,022,474
Total capital assets (net of accumulated depreciation)	15,819,319	21,955,692	56,917,664	2,288,096
Total noncurrent assets	15,958,336	22,542,387	58,727,692	2,972,521
Total Assets	29,969,604	31,580,404	83,867,644	4,946,149
Deferred Outflows of Resources:				
Deferred Loss on Early Retirement of Debt	0	300,254	1,201,811	0
Pension	307,853	427,968	270,370	225,209
OPEB	209,417	291,567	184,131	153,316
Total Deferred Outflows of Resources	517,270	1,019,789	1,656,312	378,525

CITY OF LANCASTER, OHIO

<u>Storm Water</u>	<u>Port Authority</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 666,708	\$ 3,504,790	\$ 13,794,200	\$ 2,510,346
2,200,490	0	35,613,696	0
300,305	0	4,903,004	9,144
0	0	73,686	0
0	352,385	352,385	0
0	0	2,380,827	56,769
0	0	69,745	664
0	15,414,635	15,414,635	0
<u>3,167,503</u>	<u>19,271,810</u>	<u>72,602,178</u>	<u>2,576,923</u>
0	6,910,891	9,446,631	0
0	0	537,425	0
<u>0</u>	<u>6,910,891</u>	<u>9,984,056</u>	<u>0</u>
0	212,545,453	212,545,453	0
0	1,845,511	1,845,511	0
0	186,323,268	186,323,268	0
0	0	147,000	0
7,311,374	58,615	13,156,124	0
<u>21,276,952</u>	<u>2,638,920</u>	<u>115,110,508</u>	<u>438,725</u>
<u>28,588,326</u>	<u>2,697,535</u>	<u>128,266,632</u>	<u>438,725</u>
<u>28,588,326</u>	<u>410,322,658</u>	<u>539,111,920</u>	<u>438,725</u>
<u>31,755,829</u>	<u>429,594,468</u>	<u>611,714,098</u>	<u>3,015,648</u>
0	0	1,502,065	0
65,452	9,560	1,306,412	245,710
44,578	0	883,009	167,354
<u>110,030</u>	<u>9,560</u>	<u>3,691,486</u>	<u>413,064</u>

(Continued)

CITY OF LANCASTER, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2020**

	Business-Type Activities			
	Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
Liabilities:				
Current liabilities:				
Accounts Payable	304,684	210,596	538,342	217,064
Accrued Wages and Benefits	76,465	110,899	73,051	58,162
Intergovernmental Payable	0	0	0	0
Claims Payable	0	0	0	0
Retainage Payable	0	0	0	0
Due to Others, Payable from Restricted Assets	139,017	25,713	25,713	0
Due to Other Funds	352,385	0	0	0
Unearned Revenue	0	0	0	0
Accrued Interest Payable	0	78,736	375,676	0
Capital Leases Payable - Current	0	0	0	0
Revenue Bond Payable - Current	0	370,000	1,030,000	0
OWDA Loans Payable - Current	0	1,783,110	1,662,945	0
OPWC Loans Payable - Current	0	0	0	0
Landfill Postclosure Care Liability - Current	0	0	0	78,600
Compensated Absences Payable - Current	43,129	73,422	46,488	33,297
Total Current Liabilities	915,680	2,652,476	3,752,215	387,123
Noncurrent Liabilities:				
Capital Leases Payable	0	0	0	0
Revenue Bonds Payable	0	3,616,245	16,156,492	0
OWDA Loans Payable	0	2,682,732	19,963,515	0
OPWC Loans Payable	0	0	0	0
Landfill Postclosure Care Liability	0	0	0	784,088
Compensated Absences Payable	379,623	529,081	469,477	275,506
Net Pension Liability	1,905,350	2,652,781	1,675,290	1,394,924
Net OPEB Liability	1,322,776	1,841,676	1,163,059	968,417
Total noncurrent liabilities	3,607,749	11,322,515	39,427,833	3,422,935
Total Liabilities	4,523,429	13,974,991	43,180,048	3,810,058
Deferred Inflows of Resources:				
Pension	535,101	615,486	408,604	357,259
OPEB	262,398	291,476	195,428	172,437
Deferred Inflow from Derivative Instruments	0	0	0	0
Total Deferred Inflow of Resources	797,499	906,962	604,032	529,696
Net Position:				
Net Investment in Capital Assets	15,819,319	13,803,859	19,306,523	2,288,096
Restricted for Debt Service	0	560,982	1,784,315	0
Unrestricted	9,346,627	3,353,399	20,649,038	(1,303,176)
Total Net Position	\$ 25,165,946	\$ 17,718,240	\$ 41,739,876	\$ 984,920

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.
Total Net Position of Business Type Activities

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

<u>Storm Water</u>	<u>Port Authority</u>	<u>Total</u>	<u>Internal Service Funds</u>
915,124	0	2,185,810	73,562
16,724	0	335,301	58,791
0	1,821	1,821	0
0	0	0	361,245
95,118	0	95,118	0
0	0	190,443	0
0	0	352,385	0
0	7,812	7,812	0
0	6,230,453	6,684,865	0
69,742	0	69,742	1,653
0	1,225,000	2,625,000	0
183,285	0	3,629,340	0
34,622	0	34,622	0
0	0	78,600	0
15,596	0	211,932	32,539
<u>1,330,211</u>	<u>7,465,086</u>	<u>16,502,791</u>	<u>527,790</u>
80,449	0	80,449	0
0	337,101,163	356,873,900	0
3,804,033	0	26,450,280	0
294,290	0	294,290	0
0	0	784,088	0
99,349	0	1,753,036	310,918
405,583	0	8,033,928	1,522,646
281,573	0	5,577,501	1,057,088
<u>4,965,277</u>	<u>337,101,163</u>	<u>399,847,472</u>	<u>2,890,652</u>
<u>6,295,488</u>	<u>344,566,249</u>	<u>416,350,263</u>	<u>3,418,442</u>
97,937	0	2,014,387	366,071
46,750	0	968,489	174,597
0	186,323,268	186,323,268	0
<u>144,687</u>	<u>186,323,268</u>	<u>189,306,144</u>	<u>540,668</u>
24,121,905	2,697,535	78,037,237	437,072
0	0	2,345,297	0
<u>1,303,779</u>	<u>(103,983,024)</u>	<u>(70,633,357)</u>	<u>(967,470)</u>
<u>\$ 25,425,684</u>	<u>\$ (101,285,489)</u>	<u>\$ 9,749,177</u>	<u>\$ (530,398)</u>
		<u>(1,351,096)</u>	
		<u>\$ 8,398,081</u>	

CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2020**

	Business-Type Activities			
	Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
Operating Revenues:				
Charges for Services	\$ 11,448,952	\$ 9,261,007	\$ 12,548,829	\$ 4,244,476
Other Operating Revenues	295,395	90,760	59,045	133,100
Total Operating Revenues	11,744,347	9,351,767	12,607,874	4,377,576
Operating Expenses:				
Personal Services	2,185,163	3,580,329	2,194,415	1,782,066
Contractual Services	890,110	1,455,866	1,764,590	1,694,162
Cost of Gas Sold	6,217,386	0	0	0
Materials and Supplies	609,107	1,568,973	1,220,937	290,477
Depreciation	942,007	1,421,860	2,575,392	384,203
Health Insurance Claims	0	0	0	0
Total Operating Expenses	10,843,773	8,027,028	7,755,334	4,150,908
Operating Income	900,574	1,324,739	4,852,540	226,668
Non-Operating Revenue (Expenses):				
Interest Income	0	90,059	355,075	8,262
Interest and Fiscal Charges	0	(335,883)	(1,691,337)	0
Loss on Disposal of Capital Assets	(35,180)	(60,646)	(46,557)	(3,143)
Other Nonoperating Revenue	0	0	3,597	0
Total Non-Operating Revenues (Expenses)	(35,180)	(306,470)	(1,379,222)	5,119
Income (Loss) Before Contributions, Special Item, and Transfers	865,394	1,018,269	3,473,318	231,787
Capital Contributions	0	0	0	0
Special Item - Transfer of Assets and Liabilities	0	0	0	0
Transfers In	0	340,662	7,395	0
Change in Net Position	865,394	1,358,931	3,480,713	231,787
Net Position Beginning of Year	24,300,552	16,359,309	38,259,163	753,133
Net Position End of Year	\$ 25,165,946	\$ 17,718,240	\$ 41,739,876	\$ 984,920

Change in Net Position of Enterprise Funds

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

Change in Net Position of Business Type Activities

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

<u>Storm Water</u>	<u>Port Authority</u>	<u>Total</u>	<u>Internal Service Funds</u>
\$ 3,062,918	\$ 3,445,424	\$ 44,011,606	\$ 11,489,651
28,376	139,129	745,805	96,350
<u>3,091,294</u>	<u>3,584,553</u>	<u>44,757,411</u>	<u>11,586,001</u>
518,394	67,407	10,327,774	1,956,616
1,511,100	303,669	7,619,497	466,024
0	2,382,655	8,600,041	0
7,329	0	3,696,823	783,228
315,944	75,001	5,714,407	84,090
0	0	0	7,348,497
<u>2,352,767</u>	<u>2,828,732</u>	<u>35,958,542</u>	<u>10,638,455</u>
738,527	755,821	8,798,869	947,546
0	32,897	486,293	0
(13,308)	(13,442,916)	(15,483,444)	0
(2,416)	(24,049)	(171,991)	(39,882)
0	60,764	64,361	0
<u>(15,724)</u>	<u>(13,373,304)</u>	<u>(15,104,781)</u>	<u>(39,882)</u>
722,803	(12,617,483)	(6,305,912)	907,664
40,663	0	40,663	0
0	2,332,026	2,332,026	0
0	0	348,057	0
763,466	(10,285,457)	(3,585,166)	907,664
<u>24,662,218</u>	<u>(91,000,032)</u>	<u>13,334,343</u>	<u>(1,438,062)</u>
<u>\$ 25,425,684</u>	<u>\$ (101,285,489)</u>	<u>\$ 9,749,177</u>	<u>\$ (530,398)</u>
		\$ (3,585,166)	
		204,759	
		<u>\$ (3,380,407)</u>	

CITY OF LANCASTER, OHIO

***Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020***

	Business-Type Activities		
	Enterprise Funds		
	Gas	Water	Water Pollution
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$11,741,550	\$9,442,389	\$12,665,643
Cash Received from Swap Providers	0	0	0
Cash Received from Interfund Services	0	0	0
Cash Payments for Goods and Services	(6,614,478)	(2,682,227)	(2,626,103)
Cash Payments to and on behalf of Employees	(1,646,271)	(2,533,576)	(1,612,931)
Cash Payments for Claims	0	0	0
Cash Payments for Interfund Services	(1,030,033)	(1,230,508)	(774,402)
Customer Deposits Received	83,920	15,520	15,520
Customer Deposits Returned	(101,175)	(18,711)	(18,711)
Net Cash Provided by Operating Activities	2,433,513	2,992,887	7,649,016
<u>Cash Flows from Noncapital Financing Activities:</u>			
Transfer of Funds from Community Improvement Corporation	0	0	0
Receipt of Interfund Advance Repayment	0	0	0
Proceeds from Sale of Land	0	0	0
Principal Paid on Revenue Bond Payable	0	0	0
Interest Paid on Debt	0	0	0
Transfers In from Other Funds	0	340,662	7,395
Repayment of Advances to Other Funds	0	0	0
Net Cash Provided (Used) by Noncapital Financing Activities	0	340,662	7,395
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Intergovernmental Grants Received	0	0	0
Proceeds from Ohio Water Development Authority Loan	0	0	0
Proceeds from Sales of Capital Assets	68,721	0	0
Acquisition and Construction of Assets	(1,880,523)	(281,859)	(2,256,470)
Capital Lease Payments	0	0	0
Principal Paid on Revenue Bonds Payable	0	(350,000)	(985,000)
Principal Paid on Ohio Water Development Authority Loans	0	(1,714,826)	(1,609,871)
Principal Paid on Ohio Public Works Commission Loan	0	0	0
Interest Paid on All Debt	0	(333,573)	(1,342,364)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,811,802)	(2,680,258)	(6,193,705)
<u>Cash Flows from Investing Activities:</u>			
Sale of Investments	471,449	95,652	753,709
Purchase of Investments	0	0	0
Receipt of Investment Earnings	0	66,614	263,816
Net Cash Provided (Used) for Investing Activities	471,449	162,266	1,017,525
Net Increase (Decrease) in Cash and Cash Equivalents	1,093,160	815,557	2,480,231
Cash and Cash Equivalents at Beginning of Year	1,327,071	1,416,882	4,669,799
Cash and Cash Equivalents at End of Year	\$2,420,231	\$2,232,439	\$7,150,030

CITY OF LANCASTER, OHIO

Sanitation	Storm Water	Port Authority	Totals	Internal Service Funds
\$4,390,503	\$3,112,210	\$3,659,042	\$45,011,337	\$0
0	0	13,914,368	13,914,368	0
0	0	0	0	11,602,476
(1,682,850)	(1,236,393)	(303,669)	(15,145,720)	(1,235,495)
(1,344,705)	(378,888)	(75,146)	(7,591,517)	(1,418,859)
0	0	0	0	(8,012,435)
(677,511)	(344,377)	0	(4,056,831)	(392,864)
0	0	0	114,960	0
0	0	0	(138,597)	0
<u>685,437</u>	<u>1,152,552</u>	<u>17,194,595</u>	<u>32,108,000</u>	<u>542,823</u>
0	0	494,353	494,353	0
10,500	0	0	10,500	0
0	0	72,135	72,135	0
0	0	(1,205,000)	(1,205,000)	0
0	0	(17,811,715)	(17,811,715)	0
0	0	0	348,057	0
0	0	350,000	350,000	0
<u>10,500</u>	<u>0</u>	<u>(18,100,227)</u>	<u>(17,741,670)</u>	<u>0</u>
0	58,663	0	58,663	0
0	3,427,265	0	3,427,265	0
0	0	88,608	157,329	0
(354,529)	(5,955,919)	0	(10,729,300)	0
0	(67,470)	0	(67,470)	(2,754)
0	0	0	(1,335,000)	0
0	(77,957)	0	(3,402,654)	0
0	(17,311)	0	(17,311)	0
0	(13,308)	0	(1,689,245)	0
<u>(354,529)</u>	<u>(2,646,037)</u>	<u>88,608</u>	<u>(13,597,723)</u>	<u>(2,754)</u>
0	1,589,065	0	2,909,875	0
(135,968)	0	0	(135,968)	0
0	0	32,897	363,327	0
<u>(135,968)</u>	<u>1,589,065</u>	<u>32,897</u>	<u>3,137,234</u>	<u>0</u>
205,440	95,580	(784,127)	3,905,841	540,069
150,302	571,128	11,199,808	19,334,990	1,970,277
<u>\$355,742</u>	<u>\$666,708</u>	<u>\$10,415,681</u>	<u>\$23,240,831</u>	<u>\$2,510,346</u>

(Continued)

CITY OF LANCASTER, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Water	Water Pollution
<u>Reconciliation of Cash and</u>			
<u>Cash Equivalents per the Statement of Net Position:</u>			
Cash and Cash Equivalents	\$2,281,214	\$1,645,744	\$5,340,002
Restricted Cash and Cash Equivalents	139,017	586,695	1,810,028
Cash and Cash Equivalents at End of Year	<u>\$2,420,231</u>	<u>\$2,232,439</u>	<u>\$7,150,030</u>
<u>Reconciliation of Operating Income to Net Cash</u>			
<u>Provided by Operating Activities:</u>			
Operating Income	\$900,574	\$1,324,739	\$4,852,540
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation Expense	942,007	1,421,860	2,575,392
Miscellaneous Nonoperating Revenue	0	0	3,597
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:			
(Increase) Decrease in Accounts Receivable	(2,797)	90,622	54,172
Decrease in Due to Other Funds	0	0	0
(Increase) Decrease in Inventory	601,382	(58,982)	(2,174)
(Increase) Decrease in Prepaid Items	(1,873)	1,170	70
Decrease in Prepaid Gas Supply	0	0	0
(Increase) Decrease in Deferred Outflows of Resources - Pension	577,309	722,641	469,051
Increase in Deferred Outflows of Resources - OPEB	(101,493)	(151,285)	(94,006)
Increase (Decrease) in Accounts Payable	(66,034)	(108,536)	(33,509)
Increase in Accrued Wages and Benefits	8,651	21,854	13,868
Decrease in Due to Other Funds	(13,751)	0	0
Increase (Decrease) in Intergovernmental Payable	0	0	0
Decrease in Customer Deposits	(17,255)	(3,191)	(3,191)
Decrease in Unearned Revenue	0	0	0
Decrease in Landfill Postclosure Care Liability	0	0	0
Increase (Decrease) in Compensated Absences	(87,158)	(38,870)	(11,783)
Decrease in Net Pension Liability	(1,006,953)	(1,132,709)	(756,724)
Increase (Decrease) in Net OPEB Liability	(53,384)	52,905	13,851
Increase in Deferred Inflows of Resources - Pension	495,624	564,047	375,552
Increase in Deferred Inflows of Resources - OPEB	258,664	286,622	192,310
Decrease in Claims Payable	0	0	0
Total Adjustments	<u>1,532,939</u>	<u>1,668,148</u>	<u>2,796,476</u>
Net Cash Provided by Operating Activities	<u>\$2,433,513</u>	<u>\$2,992,887</u>	<u>\$7,649,016</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2020 the Water Pollution and Storm Water Funds had outstanding liabilities of \$348,909 and \$891,365 respectively for certain capital assets.

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Sanitation	Storm Water	Port Authority	Totals	Internal Service Funds
\$355,742	\$666,708	\$3,504,790	\$13,794,200	\$2,510,346
0	0	6,910,891	9,446,631	0
<u>\$355,742</u>	<u>\$666,708</u>	<u>\$10,415,681</u>	<u>\$23,240,831</u>	<u>\$2,510,346</u>
\$226,668	\$738,527	\$755,821	\$8,798,869	\$947,546
384,203	315,944	75,001	5,714,407	84,090
0	0	60,764	64,361	0
12,927	20,916	0	175,840	16,475
0	0	13,751	13,751	0
(12,168)	0	0	528,058	10,945
119	0	0	(514)	45
0	0	16,297,023	16,297,023	0
401,086	112,869	(9,560)	2,273,396	422,920
(76,961)	(22,835)	0	(446,580)	(85,849)
(22,310)	11,687	0	(218,702)	(55,632)
6,959	3,423	0	54,755	7,965
0	0	0	(13,751)	0
(11,798)	(2,659)	1,821	(12,636)	0
0	0	0	(23,637)	0
0	0	(26)	(26)	0
(34,069)	0	0	(34,069)	0
(17,667)	15,533	0	(139,945)	9,244
(665,497)	(181,151)	0	(3,743,034)	(676,750)
(5,201)	4,322	0	12,493	17,800
329,351	89,978	0	1,854,552	336,185
169,795	45,998	0	953,389	171,777
0	0	0	0	(663,938)
<u>458,769</u>	<u>414,025</u>	<u>16,438,774</u>	<u>23,309,131</u>	<u>(404,723)</u>
<u>\$685,437</u>	<u>\$1,152,552</u>	<u>\$17,194,595</u>	<u>\$32,108,000</u>	<u>\$542,823</u>

CITY OF LANCASTER, OHIO

***Statement of Net Position
Fiduciary Funds
December 31, 2020***

	<u>Custodial</u>
Assets:	
Cash and Cash Equivalents	\$ 143,120
Due from Other Funds	<u>2,924</u>
Total Assets	<u>146,044</u>
Liabilities:	
Due to Other Funds	2,924
Intergovernmental Payable	2,924
Due to Others	<u>140,196</u>
Total Liabilities	<u>146,044</u>
Restricted for Individuals, Organizations and Other Governments	<u>0</u>
Total Net Position	<u><u>\$ 0</u></u>

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

***Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2020***

	<u>Custodial</u>
Additions:	
Fines and Forfeitures Collections for Others	\$ 2,537,395
Total Additions	<u>2,537,395</u>
Deductions:	
Distribution of Fines and Forfeitures to Others	<u>2,537,395</u>
Total Deductions	<u>2,537,395</u>
Change in Net Position	0
Net Position at Beginning of Year	<u>0</u>
Net Position End of Year	<u><u>\$ 0</u></u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

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, 2020 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,"* as amended by GASB 61, 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.

The City's financial reporting entity includes a blended component unit, the Lancaster Port Authority, as well as, 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 Port Authority, although a legally separate entity, provides services almost entirely to the City by financing the purchase of gas supply for the Gas Fund. The Executive Director of the Port Authority also serves as the General Manager to the Lancaster Municipal Gas Department. In addition, the City Treasurer voluntarily serves as the Treasurer to the Port Authority. Separately issued financial statements can be obtained from Lancaster Port Authority, 104 East Main Street, Lancaster, OH 43130.

The City participates in several Jointly Governed Organizations and participated in an Insurance Pool that are further described in Notes 20 and 21.

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, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types are used by the City:

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, uses and balances of financial resources). The following are the City's major governmental funds:

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

.45 Police and Fire Levy Fund – This fund is used to account for a .45% voted income tax levy to be used for the operations of the Police and Fire Departments.

Proprietary Funds

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

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.

Port Authority Fund – This fund is used to account for the operation of the City's economic development.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

Fiduciary Funds

Custodial 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 and therefore not available to support the City's own programs. The custodial funds account for municipal court collections that are distributed to the state and various local governments and fee collections to be distributed to the law library.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net position 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, 2020***

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, deferred outflows of resources, current liabilities, and deferred inflows of resources, 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, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Fiduciary funds are reported using the economic resources measurement focus.

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

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.

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

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

1. Tax Budget

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2020.

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 2020, several supplemental appropriations were legally enacted by Council. Administrative control is maintained through the establishment of more detailed line-item budgets. The amounts reported as the original budget amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The budgetary figures which appear on the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual" are presented on a budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

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 and major special revenue fund:

	Net Change in Fund Balance	
	General Fund	.45 Police and Fire Levy Fund
GAAP Basis (as reported)	\$4,143,136	\$1,100,910
Increase (Decrease):		
Accrued Revenues at December 31, 2020 received during 2021	(1,673,190)	(495,312)
Accrued Revenues at December 31, 2019 received during 2020	1,445,876	479,680
Accrued Expenditures at December 31, 2020 paid during 2021	1,120,449	203,742
Accrued Expenditures at December 31, 2019 paid during 2020	(419,151)	(547,375)
2019 Prepays for 2020	30,410	29,672
2020 Prepays for 2021	(29,197)	(30,745)
Adjustment to Fair Value	(236,094)	0
Outstanding Encumbrances	(303,406)	(117,576)
Budget Basis	<u>\$4,078,833</u>	<u>\$622,996</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAR Ohio) and certificates of deposit with original maturity dates of three months or less. See Note 5, "Cash, Cash Equivalents and Investments."

The City pools its cash, except for that held by fiscal 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 5, "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" and GASB Statement No. 72, "Fair Value Measurement and Application", the City reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit) 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.

The City's investment in the State Treasury Asset Reserve of Ohio (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 and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes. See Note 5, "Cash, Cash Equivalents and Investments."

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Derivative Instruments

The City's derivative financial instruments are accounted for in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instrument* and GASB Statement No. 72, *Fair Value Measurement and Application*. In connection with this Statement, the fair value of the City's derivative financial instruments is recorded on the Statement of Net position, with an offsetting deferred inflow or outflow. At December 31, 2020, the fair value of the City's derivative instruments are offset by a deferred inflow.

Derivative instruments are utilized by the City to manage market risk and reduce its exposure resulting from fluctuations in prices of natural gas in order to meet debt service requirements. These instruments include commodity swap agreements which convert index-priced natural gas revenues to fixed prices for servicing outstanding debt obligations.

I. Inventory

Inventory is stated at cost 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 government-wide and proprietary funds when used.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, 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.

K. Prepaid Gas Supply

The City prepaid for deliveries of natural gas supplies with the proceeds from revenue bonds. Prepaid gas supplies are stated at the present value of the remaining fixed delivery amounts, as determined by the prepay contract. Swap agreements are used to convert the variable index prices to fixed prices sufficient to meet debt service requirements.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and more than \$1,000 for the Port Authority.

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 Position, but they are not reported in the Fund Financial Statements.

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds Payable	General Bond Retirement Fund
Revenue Bonds Payable	Water Fund, Water Pollution Fund, Port Authority Fund
Ohio Water Development Authority Loans	Street, Construction, Maintenance and Repair Fund, Water Fund, Water Pollution Fund Storm Water Fund
Ohio Public Works Commission Loan	General Bond Retirement Fund, Street Levy Fund, Storm Water Fund
State Infrastructure Bank Loan	Street Construction, Maintenance and Repair Fund
Installment Loan	Fire Impact-District One Fund
Capital Leases	General Fund, Cemetery Fund, Street Construction, Maintenance and Repair Fund, Parks and Recreation Fund, Storm Water Fund, Utilities Collection Fund
Compensated Absences	General Fund, .45 Police and Fire Levy Fund,
Net Pension Liability	Cemetery Fund, Street Construction, Maintenance and Repair Fund, Parks and Recreation Fund
Net OPEB Liability	Lancaster Community Development Fund Gas Fund, Water Fund, Water Pollution Fund Sanitation Fund, Storm Water Fund, Utilities Collection Fund, Information Services Fund

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Compensated Absences

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

Sick leave is accrued by all employees at the rate of 4.6 hours every 80 hours of compensation for a total of fifteen days of sick leave accrued per year. Upon retirement, employees are paid a prorata amount of accumulated sick leave based on the employee's date of hire and position and on negotiated work agreements 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.

O. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets 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 position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

Q. Interfund Transactions

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

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

R. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Fund Balances (Continued)

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The City has no formal policy authorizing a body or official to assign amounts for specific purposes.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use unrestricted resources first (committed, assigned and unassigned), then restricted resources as they are needed.

S. Restricted Assets

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

T. 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.

U. Interfund Balances

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has three items that qualifies for reporting in this category. One is the deferred charge on refunding reported in the government-wide and proprietary statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB, hedging derivatives and unavailable revenue. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. The cumulative increase in the hedging derivative is reported as a deferred inflow on both the proprietary statement of net position and government wide statement of net position. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, unavailable amounts, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide and proprietary fund statements of net position explained in Notes 11 and 12.

W. Contributions of Capital

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

X. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Y. Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2020, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 83, “Certain Asset Retirement Obligations,” Statement No. 84, “Fiduciary Activities,” Statement No. 88, “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,” and Statement No. 90, “Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61.”

GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations.

GASB Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments.

GASB Statement No. 88 revises the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements.

GASB Statement No. 90 establishes criteria for reporting a government’s majority equity interest in a legally separate organization.

These changes were incorporated in the City’s 2020 financial statements; however, there was no effect on beginning net position/fund balance.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 3 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, committed, assigned, and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	.45 Police and Fire Levy Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Items	\$29,197	\$30,745	\$14,693	\$74,635
Supplies Inventory	123,997	0	317,960	441,957
Total Nonspendable	<u>153,194</u>	<u>30,745</u>	<u>332,653</u>	<u>516,592</u>
Restricted:				
Transportation Projects	0	0	1,867,271	1,867,271
Cemetery	0	0	1,704,905	1,704,905
Court Projects	0	0	1,780,912	1,780,912
Public Transportation	0	0	488,374	488,374
911 Services	0	0	250,251	250,251
Police and Fire Operations	0	1,771,325	1,047,433	2,818,758
Pension for Public Safety	0	0	138	138
Community Development	0	0	1,746,630	1,746,630
Debt Retirement	0	0	77,055	77,055
Capital Improvements	0	0	360,935	360,935
Total Restricted	<u>0</u>	<u>1,771,325</u>	<u>9,323,904</u>	<u>11,095,229</u>
Committed:				
Parks and Recreation	0	0	885,244	885,244
Capital Improvements	0	0	1,699,875	1,699,875
Total Committed	<u>0</u>	<u>0</u>	<u>2,585,119</u>	<u>2,585,119</u>
Assigned:				
Services and Supplies	171,498	0	0	171,498
Total Assigned	<u>171,498</u>	<u>0</u>	<u>0</u>	<u>171,498</u>
Unassigned:				
	11,645,299	0	(2,483,759)	9,161,540
Total Fund Balances	<u>\$11,969,991</u>	<u>\$1,802,070</u>	<u>\$9,757,917</u>	<u>\$23,529,978</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

The fund deficits at December 31, 2020 of \$1,403,626 in the Ety Road TIF Project Fund and \$1,080,133 in the Columbian Construction Fund (capital projects funds) are the result of recording notes payable amounts in the individual fund balance sheets. The accumulated deficit of \$101,285,489 in the Port Authority Fund (enterprise fund) is the result of recording the prepaid gas supply at the present value of the future shipments and the related bonds payable at outstanding par value. At the end of the contract period, the net result will be zero. The accumulated deficit of \$1,359,966 in the Utilities Collection Fund (internal service fund) is the result of the recognition of payables in accordance with generally accepted accounting principles. The General Fund provides transfers, upon City Council's approval when cash is required not when accruals occur.

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned. Protection of City cash and deposits is provided by the Federal Deposit Insurance Corporation as well as qualified securities pledged by the institution holding the assets. The City has no policy on custodial credit risk and is governed by the Ohio Revised Code. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At year end the carrying amount of the City's deposits was \$40,207,297 and the bank balance was \$40,436,131. Federal depository insurance covered \$1,170,014 of the bank balance and \$39,266,117 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held in the Ohio Pooled Collateral System	<u>\$39,266,117</u>
Total Balance	<u><u>\$39,266,117</u></u>

Investment earnings of \$456,193 earned by other funds was credited to the General Fund as required by state statute.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

B. Investments

The City’s investments at December 31, 2020 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)			
			less than 1	1-3	3-5	more than 5
STAR Ohio	\$60,139	AAAm ¹	\$60,139	\$0	\$0	\$0
Negotiable CD's ^a	9,871,449	N/A ³	245,142	4,287,003	5,339,304	0
Municipal Bonds	6,342,409	*	1,024,040	2,863,880	920,364	1,534,125
Municipal BANs	2,006,080	N/A	2,006,080	0	0	0
FNMA ^b	2,999,701	AA+ ¹ , Aaa ²	0	0	2,999,701	0
FHLB ^b	2,669,650	AA+ ¹ , Aaa ²	0	0	2,669,650	0
FFCB ^b	14,501,665	AA+ ¹ , Aaa ²	0	10,500,435	4,001,230	0
FHLMC ^b	6,580,257	AA+ ¹ , Aaa ²	0	2,000,280	4,579,977	0
Total Investments	<u>\$45,031,350</u>		<u>\$3,335,401</u>	<u>\$19,651,598</u>	<u>\$20,510,226</u>	<u>\$1,534,125</u>

¹ Standard & Poor’s

² Moody’s Investor Service

³ All are fully FDIC insured

* Standard & Poor’s ratings of AA and A+, Moody’s ratings of Aa1-Aa3

^a \$742,275 of the negotiable CDs were called in 2021 and \$797,985 of the CDs are callable through May 2025.

^b \$8,501,116 of the securities were called in 2021 and \$15,580,507 of the securities are callable through October 2025.

The City’s investments are valued using quoted market prices (Level 2 inputs).

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

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

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City’s total investments, 0.1% are in STAROhio, 21.9% are in negotiable CDs, 14.1% are in Municipal Bonds, 4.5% are in Bond Anticipation Notes, 6.7% are FNMA, 5.9% are FHLB, 32.2% are FFCB, and 14.6% are FHLMC.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

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. STAR Ohio is treated as a cash equivalent. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statements No. 3 and 40.

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$38,041,825	\$47,196,822
Certificates of Deposit (with maturities of more than 3 months)	2,225,611	(2,225,611)
Investments:		
STAR Ohio	(60,139)	60,139
Per GASB Statements No. 3 and 40	<u>\$40,207,297</u>	<u>\$45,031,350</u>

* Includes Cash with Fiscal Agent

NOTE 6 - 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 2020 were levied after October 1, 2019 on assessed values as of January 1, 2019, 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 2019. 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.

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 6 - TAXES (Continued)

A. Property Taxes (Continued)

The full tax rate for the City's operations for the year ended December 31, 2020 was \$6.40 per \$1,000 of assessed value. The assessed value upon which the 2020 property tax receipts were based was \$843,415,140. This amount constitutes \$817,871,560 in real property assessed value and \$25,543,580 in public utility property. Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .64% (6.40 mills) of assessed value.

B. Income Tax

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

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

NOTE 7 - RECEIVABLES

Receivables at December 31, 2020 consisted of taxes, accounts, special assessments, interest, loans and intergovernmental receivables arising from shared revenues. These amounts are shown separately on the face of the financial statements with the exception of property and income taxes receivable in the amount of \$4,761,607 and \$4,469,156 respectively. Delinquents are included in the amounts presented.

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 8 – INTERFUND ACCOUNTS

Interfund balances at December 31, 2020 consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Enterprise Funds:		
Gas	\$0	\$352,385
Port Authority	352,385	0
Total Enterprise Funds	<u>352,385</u>	<u>352,385</u>
Custodial Funds:		
Municipal Court	0	2,924
Law Library	2,924	0
Total Custodial Funds	<u>2,924</u>	<u>2,924</u>
Totals	<u>\$355,309</u>	<u>\$355,309</u>
	<u>Advance to Other Funds</u>	<u>Advance from Other Funds</u>
Nonmajor Governmental Funds	\$0	\$147,000
Enterprise Fund:		
Sanitation Fund	147,000	0
Totals	<u>\$147,000</u>	<u>\$147,000</u>

The Due to Other Funds is a payment for gas purchases to the Port Authority. The Advance Loan consists of a long-term loan to be paid back in annual installments through 2031.

NOTE 9 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2020:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$0	\$1,159,327
Nonmajor Governmental Funds	2,554,327	1,743,057
Enterprise Funds:		
Water Fund	340,662	0
Water Pollution Fund	7,395	0
Total Transfers	<u>\$2,902,384</u>	<u>\$2,902,384</u>

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2020:

Historical Cost:

Class	December 31, 2019	Additions	Deletions	December 31, 2020
<i>Capital assets not being depreciated:</i>				
Land	\$18,454,481	\$70,000	(\$7,790)	\$18,516,691
Construction in Progress	1,544,641	32,730	(1,414,265)	163,106
Subtotal	19,999,122	102,730	(1,422,055)	18,679,797
<i>Capital assets being depreciated:</i>				
Buildings	18,053,846	0	(16,255)	18,037,591
Improvements Other than Buildings	7,842,350	993,205	(154,669)	8,680,886
Machinery and Equipment	6,619,675	481,038	(616,101)	6,484,612
Vehicles	8,651,477	909,973	(821,690)	8,739,760
Infrastructure	40,277,993	2,924,601	(275,940)	42,926,654
Subtotal	81,445,341	5,308,817	(1,884,655)	84,869,503
Total Cost	\$101,444,463	\$5,411,547	(\$3,306,710)	\$103,549,300

Accumulated Depreciation:

Class	December 31, 2019	Additions	Deletions	December 31, 2020
Buildings	(\$5,506,004)	(\$460,250)	\$9,192	(\$5,957,062)
Improvements Other than Buildings	(5,675,397)	(172,729)	117,876	(5,730,250)
Machinery and Equipment	(4,502,340)	(488,541)	505,968	(4,484,913)
Vehicles	(6,562,921)	(807,990)	771,631	(6,599,280)
Infrastructure	(14,924,730)	(919,640)	219,205	(15,625,165)
Total Depreciation	(\$37,171,392)	(\$2,849,150) *	\$1,623,872	(\$38,396,670)
<i>Net Value:</i>	\$64,273,071			\$65,152,630

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	(\$470,453)
Leisure Time Activities	(168,089)
Public Health & Welfare	(20,114)
Transportation	(1,577,385)
General Government	(547,004)
Internal Service Fund Capital Assets	(66,105)
Total Depreciation Expense	(\$2,849,150)

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 10 – CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2020:

Historical Cost:

Class	December 31, 2019	Additions	Deletions	December 31, 2020
<i>Capital assets not being depreciated:</i>				
Land	\$3,729,588	\$157,121	(\$54,214)	\$3,832,495
Construction in Progress	1,226,002	8,339,797	(242,170)	9,323,629
Subtotal	4,955,590	8,496,918	(296,384)	13,156,124
<i>Capital assets being depreciated:</i>				
Buildings	83,560,194	42,029	0	83,602,223
Improvements	34,822,388	0	(85,982)	34,736,406
Machinery and Equipment	11,449,799	532,733	(1,148,332)	10,834,200
Vehicles	6,977,117	422,545	(31,867)	7,367,795
Infrastructure	107,718,409	2,375,953	(301,627)	109,792,735
Subtotal	244,527,907	3,373,260	(1,567,808)	246,333,359
Total Cost	\$249,483,497	\$11,870,178	(\$1,864,192)	\$259,489,483

Accumulated Depreciation:

Class	December 31, 2019	Additions	Deletions	December 31, 2020
Buildings	(\$28,496,942)	(\$2,098,995)	\$0	(\$30,595,937)
Improvements	(32,475,067)	(214,424)	76,490	(32,613,001)
Machinery and Equipment	(9,758,555)	(325,732)	1,024,126	(9,060,161)
Vehicles	(4,838,051)	(644,633)	31,867	(5,450,817)
Infrastructure	(51,222,160)	(2,448,608)	218,798	(53,451,970)
Total Depreciation	(\$126,790,775)	(\$5,732,392)	\$1,351,281	(\$131,171,886)
<i>Net Value:</i>	\$122,692,722			\$128,317,597

Internal service funds serve both governmental and business-type funds. Accordingly, capital assets for them are included as part of the above totals for governmental and business-type funds. At year-end, \$387,760 and \$50,965 of internal service funds capital assets, net of depreciation are included in the respective above amounts. Also, \$66,105 and \$17,985 of depreciation expense for the internal service funds are included in the respective above amounts.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in accrued wages and benefits payable on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS Comprehensive Annual Financial Report referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member’s FAS for the first 30 years of service.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member’s FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3.00% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS’s Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS Comprehensive Annual Financial Report.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>State and Local</u>
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2020 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	<u>0.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$2,208,517 for 2020. Of this amount, \$180,285 is reported as an accrued wages and benefits payable.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3.00% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3.00% of their base pension or disability benefit.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2020 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2020 through December 31, 2020	12.25 %	12.25 %
2020 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2020 through December 31, 2020	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$2,248,177 for 2020. Of this amount, \$174,173 is reported as an accrued wages and benefits payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$21,048,471	\$30,076,732	\$51,125,203
Proportion of the Net Pension Liability-2020	0.106490%	0.4464719%	
Proportion of the Net Pension Liability-2019	0.106715%	0.4573540%	
Percentage Change	<u>(0.000225%)</u>	<u>(0.0108821%)</u>	
Pension Expense	\$3,629,584	\$3,738,636	\$7,368,220

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$1,124,235	\$738,306	\$1,862,541
Differences between expected and actual experience	0	1,138,502	1,138,502
Change in proportionate share	394,228	239,272	633,500
City contributions subsequent to the measurement date	<u>2,208,517</u>	<u>2,248,177</u>	<u>4,456,694</u>
Total Deferred Outflows of Resources	<u>\$3,726,980</u>	<u>\$4,364,257</u>	<u>\$8,091,237</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$4,198,697	\$1,452,947	\$5,651,644
Differences between expected and actual experience	266,128	1,551,181	1,817,309
Change in proportionate share	<u>353,307</u>	<u>874,390</u>	<u>1,227,697</u>
Total Deferred Inflows of Resources	<u>\$4,818,132</u>	<u>\$3,878,518</u>	<u>\$8,696,650</u>

\$4,456,694 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2021	(\$439,786)	(\$434,401)	(\$874,187)
2022	(1,366,600)	(248,363)	(1,614,963)
2023	173,871	536,930	710,801
2024	(1,667,154)	(1,432,800)	(3,099,954)
2025	<u>0</u>	<u>(183,804)</u>	<u>(183,804)</u>
Total	<u>(\$3,299,669)</u>	<u>(\$1,762,438)</u>	<u>(\$5,062,107)</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2019 and December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2019
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	1.4 percent simple through 2020. 2.15 percent simple, thereafter
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age
	December 31, 2018
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2018. 2.15 percent simple, thereafter
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2% for 2019.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City’s proportionate share of the net pension liability	\$34,715,740	\$21,048,471	\$8,761,997

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2019 is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2019, compared with January 1, 2018, are presented below.

	January 1, 2019	January 1, 2018
Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

For the January 1, 2019 valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

For the January 1, 2019 valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF’s target asset allocation as of December 31, 2019 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	<u>120.00 %</u>	

* levered 2x

OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate For 2019, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2018 was 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$41,685,305	\$30,076,732	\$20,367,312

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which OPEB are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in accrued wages and benefits payable on both the accrual and modified accrual bases of accounting.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Comprehensive Annual Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2020.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contractually required contribution to OP&F was \$52,648 for 2020. Of this amount, \$4,064 is reported as an accrued wages and benefits payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$14,612,762	\$4,410,129	\$19,022,891
Proportion of the Net OPEB Liability-2020	0.105793%	0.4464719%	
Proportion of the Net OPEB Liability-2019	<u>0.105930%</u>	<u>0.4573540%</u>	
Percentage Change	<u>(0.000137%)</u>	<u>(0.0108821%)</u>	
OPEB Expense	\$1,654,469	\$485,176	\$2,139,645

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$2,313,042	\$2,578,332	\$4,891,374
Differences between expected and actual experience	395	0	395
Change in proportionate share	188,124	236,720	424,844
City contributions subsequent to the measurement date	0	52,648	52,648
Total Deferred Outflows of Resources	<u>\$2,501,561</u>	<u>\$2,867,700</u>	<u>\$5,369,261</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	\$744,076	\$202,939	\$947,015
Changes in assumptions	0	939,865	939,865
Differences between expected and actual experience	1,336,406	474,266	1,810,672
Change in proportionate share	198,491	64,590	263,081
Total Deferred Inflows of Resources	<u>\$2,278,973</u>	<u>\$1,681,660</u>	<u>\$3,960,633</u>

\$52,648 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2021	\$368,657	\$208,440	\$577,097
2022	171,297	208,439	379,736
2023	589	250,067	250,656
2024	(317,955)	184,437	(133,518)
2025	0	202,435	202,435
2026	0	47,945	47,945
2027	0	31,629	31,629
Total	<u>\$222,588</u>	<u>\$1,133,392</u>	<u>\$1,355,980</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return:	
Current measurement date	6.00 percent
Prior Measurement date	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.75 percent
Prior Measurement date	3.71 percent
Health Care Cost Trend Rate:	
Current measurement date	10.5 percent initial, 3.5 percent ultimate in 2030
Prior Measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	\$19,123,143	\$14,612,762	\$11,001,414

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$14,181,552	\$14,612,762	\$15,038,475

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 12- DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee’s entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Single discount rate	3.56 percent	4.66 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016. The prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019, are summarized below:

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	<u>120.00 %</u>	

* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
City's proportionate share of the net OPEB liability	\$5,468,275	\$4,410,129	\$3,530,883

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

NOTE 13 - 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.

	Maturity Date	Balance January 1, 2020	Additions	(Reductions)	Balance December 31, 2020
Capital Projects Notes Payable:					
2.825% Street Improvement 2019	12/31/2020	\$1,015,677	\$0	(\$1,015,677)	\$0
2.896% Street Improvement 2020	12/31/2021	0	968,045	0	968,045
2.825% Island Capital Note 2019	12/31/2020	315,039	0	(315,039)	0
2.896% Island Capital Note 2020	12/31/2021	0	300,264	0	300,264
1.600% Columbian Construction Note 2019	12/22/2020	1,260,000	0	(1,260,000)	0
0.500% Columbian Construction Note 2020	12/22/2021	0	1,080,000	0	1,080,000
Total Capital Projects Notes Payable		<u>\$2,590,716</u>	<u>\$2,348,309</u>	<u>(\$2,590,716)</u>	<u>\$2,348,309</u>

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2020 were as follows:

	Adjusted Balance December 31, 2019	Additions	(Reductions)	Balance December 31, 2020	Due Within One Year
Business-Type Activities:					
Ohio Water Development Authority Loans (OWDA):*					
2003 2.00% Water Treatment Plant/Clearwells/Wellfield	\$100,952	\$0	(\$6,872)	\$94,080	\$7,011
2001 4.14% Water Transmission Line/Waste Force Main	1,130,138	0	(361,386)	768,752	376,502
2001 3.90% Water Treatment Plant/Clearwells/Wellfield	4,949,578	0	(1,346,568)	3,603,010	1,399,597
2009 3.27% Water Pollution Control Plant	23,236,331	0	(1,609,871)	21,626,460	1,662,945
2018 0.00% Cherokee Drive Drainage Improvements	638,010	18,299	(77,957)	578,352	77,957
2020 0.00% Fifth Ave/Sixth/Ave/Forest Rose Ave CSO	0	3,408,966	0	3,408,966	105,328
Total Ohio Water Development Authority Loans	<u>30,055,009</u>	<u>3,427,265</u>	<u>(3,402,654)</u>	<u>30,079,620</u>	<u>3,629,340</u>
Revenue Bonds Payable:					
2012 2-3.5% Refunding Water System Improvement Revenue Bond	4,160,000	0	(350,000)	3,810,000	370,000
Premium	195,827	0	(19,582)	176,245	0
2012 2-3.5% Refunding Wastewater System Improvement Revenue Bond	2,645,000	0	(220,000)	2,425,000	235,000
2016 3-4% Refunding Wastewater System Improvement Revenue Bond	13,930,000	0	(765,000)	13,165,000	795,000
Premium	1,721,789	0	(125,297)	1,596,492	0
2019 5.00% Refunding Port Authority Gas Supply Revenue Bond	298,475,000	0	(1,205,000)	297,270,000	1,225,000
Premium	42,496,730	0	(1,440,567)	41,056,163	0
Total Revenue Bonds Payable	<u>363,624,346</u>	<u>0</u>	<u>(4,125,446)</u>	<u>359,498,900</u>	<u>2,625,000</u>
Ohio Public Works Commission Loan (OWPC):*					
2018 0.00% Cherokee Drive Drainage Improvements	346,223	0	(17,311)	328,912	34,622
Landfill Postclosure Care Liability	896,757	0	(34,069)	862,688	78,600
Capital Leases	222,068	0	(70,224)	151,844	71,395
Compensated Absences	2,338,045	453,058	(586,268)	2,204,835	238,206
Total Business-Type Long-Term Debt	<u>\$397,482,448</u>	<u>\$3,880,323</u>	<u>(\$8,235,972)</u>	<u>\$393,126,799</u>	<u>\$6,677,163</u>

* The OWDA and OPWC Loans are direct borrowings.

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

	Adjusted Balance December 31, 2019	Additions	(Reductions)	Balance December 31, 2020	Due Within One Year
Governmental Activities Long-Term Debt:					
2010 2-3.125% General Obligation Bond Payable - Ety Road TIF	\$335,000	\$0	(\$110,000)	\$225,000	\$110,000
2014 2-3% Refunding General Obligation Bond Payable	1,335,000	0	(255,000)	1,080,000	260,000
Premium	15,286	0	(3,821)	11,465	0
2014 2-4% General Obligation Bond Payable-Court Facility	7,045,000	0	(200,000)	6,845,000	200,000
Premium	101,722	0	(4,238)	97,484	0
2014 1-3.45% General Obligation Bond Payable - Land	550,000	0	(105,000)	445,000	105,000
Total General Obligation Bonds Payable	<u>9,382,008</u>	<u>0</u>	<u>(678,059)</u>	<u>8,703,949</u>	<u>675,000</u>
Ohio Public Works Commission Loans (OPWC):*					
2000 0.00% Ohio Public Works Commission Loan Payable	12,172	0	(3,043)	9,129	6,086
2016 0.00% Ohio Public Works Commission Loan Payable	84,171	0	(21,043)	63,128	42,085
Total Ohio Public Works Commission Loans Payable	<u>96,343</u>	<u>0</u>	<u>(24,086)</u>	<u>72,257</u>	<u>48,171</u>
2010 3.25% Ohio Water Development Authority Loan*	259,884	0	(18,972)	240,912	19,593
2019 0.00% State Infrastructure Bank Loan*	217,587	6,528	0	224,115	25,183
Installment Loans Payable:*					
2013 3.30% Fire Aerial Truck Platform	206,487	0	(49,113)	157,374	50,751
Total Installment Loans Payable	<u>206,487</u>	<u>0</u>	<u>(49,113)</u>	<u>157,374</u>	<u>50,751</u>
Compensated Absences	5,096,429	1,600,356	(1,727,562)	4,969,223	490,692
Capital Leases	1,348,195	0	(356,908)	991,287	351,333
Total Governmental Activities	<u>\$16,606,933</u>	<u>\$1,606,884</u>	<u>(\$2,854,700)</u>	<u>\$15,359,117</u>	<u>\$1,660,723</u>

* The OWDA, OPWC, SIB and Installment Loans are direct borrowings.

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, \$103,590 and \$239,867 of internal service funds compensated absences are included in the respective above amounts. Also, \$1,653 of an internal service fund capital lease is recorded in the business-type activities amount.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

A. Gas Supply Revenue Bonds, Series 2019

In May, 2019, the Port Authority issued \$300,065,000 of gas supply revenue refunding bonds to refund the gas supply revenue refunding bonds issued in July, 2014 as well as provide for the prepayment of the extension of the original prepaid gas agreement through the year 2049. The City will purchase the scheduled monthly gas at a specified index less a discount from such index price for the entire term of May 2019 through June 2049. The revenue bonds are secured by a pledge of the gas supply revenues derived from the related prepay transaction. The 2019 gas supply revenue refunding bonds carry an interest rate of 5.00% and are scheduled to mature on August 1, 2049, with the bonds maturing after February 1, 2025 being subject to a mandatory tender as of that date.

The principal and interest remaining to be paid on these bonds is \$560,789,250. Principal and interest paid for the current year and total customer net revenues were \$19,016,715 and \$863,719, respectively.

B. Water and Wastewater Revenue Bonds

The City has pledged future customer revenues, net of specified operating expenses, to repay Water Revenue Bonds, series 2012. The 2012 bonds were issued to partially refund 2004 bonds which were originally issued to pay the cost of constructing two 2 million gallon storage tanks and various water lines. The principal and interest remaining to be paid on these bonds is \$4,613,675. Principal and interest paid for the current year and total customer net revenues were \$510,631 and \$2,836,658, respectively.

The City has pledged future customer revenues, net of specified operating expenses, to repay Wastewater Revenue Bonds, series 2012 and 2016. The 2012 bonds were issued to partially refund 2004 bonds which were originally issued to pay the cost of acquiring land for a new wastewater treatment plant and installing various sewer lines. The 2016 bonds were issued to partially refund the 2008 bonds which were originally issued to pay the cost of constructing a new wastewater treatment plant.. The principal and interest remaining to be paid on these bonds is \$20,025,750. Principal and interest paid for the current year and total customer net revenues were \$1,639,750 and \$7,783,007, respectively.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

C. Ohio Water Development Authority Loans

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

In 2001, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive a loan of \$21,064,709. This loan is payable from water charges and the proceeds were used for the water treatment plant, clearwells and wellfield.

In 2003, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive a loan of \$199,091. The proceeds were used for the water treatment plant.

In 2009, 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 \$34,396,999. The proceeds were used to build the Upper Hocking Wastewater Treatment Plant.

In 2010, 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 \$398,675. The proceeds were used to build a salt storage barn and wash bays.

In 2018, 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 \$779,572. The proceeds are being used for drainage improvements. The amount is subject to change and has not been finalized. The interest rate on the loans is 0%, per annum. This loan is payable from storm water charges and is received by the City in increments as the project is completed. As of December 31, 2020, the City had received \$695,288, from OWDA. An estimate of future financing requirements has been made based on the loan balance of \$578,352 at December 31, 2020.

In 2020, 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 \$4,213,115. The proceeds are being used for drainage improvements. The amount is subject to change and has not been finalized. The interest rate on the loans is 0%, per annum. This loan is payable from storm water charges and is received by the City in increments as the project is completed. As of December 31, 2020, the City had received \$3,408,966, from OWDA. An estimate of future financing requirements has been made based on the loan balance of \$3,408,966 at December 31, 2020.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

D. 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, 2020 follows:

Governmental Activities:

Years	General Obligation Bond Payable		State Infrastructure Bank Loan		OWDA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$675,000	\$308,196	\$25,183	\$6,536	\$19,593	\$7,082
2022	690,000	291,258	25,945	5,775	20,236	6,489
2023	600,000	272,575	26,728	4,991	20,898	5,877
2024	610,000	255,606	27,536	4,183	21,583	5,245
2025	220,000	236,787	28,368	3,351	22,290	4,592
2026-2030	1,230,000	1,060,750	90,355	4,801	122,897	12,396
2031-2035	1,490,000	799,400	0	0	13,415	202
2036-2040	1,810,000	476,600	0	0	0	0
2041-2042	1,270,000	103,000	0	0	0	0
Totals	<u>\$8,595,000</u>	<u>\$3,804,172</u>	<u>\$224,115</u>	<u>\$29,637</u>	<u>\$240,912</u>	<u>\$41,883</u>

Years	OPWC Loan		Installment Loan	
	Principal	Interest	Principal	Interest
2021	\$48,171	\$0	\$50,751	\$4,776
2022	24,086	0	52,439	3,088
2023	0	0	54,184	1,343
Totals	<u>\$72,257</u>	<u>\$0</u>	<u>\$157,374</u>	<u>\$9,207</u>

Business-Type Activities:

Years	OWDA Loans		Revenue Bonds Payable		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$3,629,340	\$756,232	\$2,625,000	\$15,610,856	\$34,622	\$0
2022	3,860,495	651,986	2,720,000	15,498,906	34,622	0
2023	2,819,005	546,965	2,845,000	15,379,663	34,622	0
2024	2,128,950	481,921	3,010,000	15,254,975	34,622	0
2025	2,189,525	426,335	6,945,000	15,122,475	34,622	0
2026-2030	11,727,206	1,231,661	57,635,000	67,891,350	155,802	0
2031-2035	3,370,642	52,326	56,950,000	53,622,325	0	0
2036-2040	354,457	0	58,550,000	39,550,375	0	0
2041-2045	0	0	66,215,000	24,072,375	0	0
2046-2049	0	0	59,175,000	6,755,375	0	0
Totals	<u>\$30,079,620</u>	<u>\$4,147,426</u>	<u>\$316,670,000</u>	<u>\$268,758,675</u>	<u>\$328,912</u>	<u>\$0</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 14 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

E. Defeased Debt

In June 2012, the City defeased \$5,915,000 of Water Revenue Bonds dated September, 2004 (the "2004 Bonds") through the issuance of \$5,795,000 of Water Revenue Bonds. The net proceeds of the 2012 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$4,045,000 at December 31, 2020, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

In June 2012, the City defeased \$3,665,000 of Wastewater Revenue Bonds dated September, 2004 (the "2004 Bonds") through the issuance of \$3,680,000 of Wastewater Revenue Bonds. The net proceeds of the 2012 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$2,510,000 at December 31, 2020, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

In June 2016, the City defeased \$15,885,000 of Wastewater Revenue Bonds dated September, 2008 (the "2008 Bonds") through the issuance of \$15,395,000 of Wastewater Revenue Bonds. The net proceeds of the 2016 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$13,680,000 at December 31, 2020, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 15 - CAPITALIZED LEASES

Under capital leases the City leases three copiers, a fire medic, fire pumper, two street sweepers, and several street paving equipment, cemetery equipment and park and recreation trucks, tractors, mowers. The cost of the improvements and equipment obtained under capital leases is included in the appropriate proprietary fund or Governmental Activities Capital Assets and the related liability is included in the appropriate proprietary fund or in the Governmental Activities Long-Term Liabilities. The original cost of the assets acquired under capital lease was \$2,308,708.

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, 2020:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2021	\$384,025	\$76,473
2022	357,606	83,156
2023	220,551	0
2024	94,146	0
Minimum Lease Payments	1,056,328	159,629
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(65,041)</u>	<u>(7,785)</u>
Present value of minimum lease payments	<u>\$991,287</u>	<u>\$151,844</u>

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 16 - DERIVATIVE INSTRUMENTS

A. Composition of Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding as of December 31, 2020, classified by type, are as follows:

	Notional Amount		Fair Value	Counterparty Credit Rating
Positive Cash Flow Hedge:				
Pay-variable, receive fixed commodity swap	59,087,169 mmbtu	\$	186,323,268	A-

All fair values are classified as derivative instruments on the Statement of Net Position. The decrease in fair values of these derivatives instruments was \$496,596 for 2020. As these commodity swaps are considered hedging derivatives instruments, the change in fair value is reflected within deferred inflows on the Statement of Net Position. The fair values of the commodity swaps are based on forward prices from established indexes for the applicable region and discounted using established interest rate indexes. The fair value of the derivatives is calculated based on current market rates (Level 2 inputs).

B. Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and terms of the Port Authority hedging derivative instruments outstanding at December 31, 2020:

Type	Objective	Maturity Date	Terms
Pay-variable, receive fixed commodity swap	The Port Authority has entered into a fixed to floating commodity swap in connection with the natural gas prepay transaction. The purpose of the Commodity Swap is to correlate gas sales revenues the Port Authority receives based on floating natural gas indices to a fixed stream of payments necessary to make debt service payments on its Bonds.	2049	The commodity swap extends to the date of the final maturity of the related Natural Gas Supply Agreements. The commodity swap requires monthly payments based on a notional quantity of natural gas that corresponds to the volume of natural gas sold pursuant to the related Natural Gas Supply Agreements. Payments under the commodity swap are based on nationally published gas indices at the gas delivery points.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 16 - DERIVATIVE INSTRUMENTS (Continued)

C. Commodity Swap Risks

Termination Risk: The Commodity Swaps terminate in the event of a “triggering event” under the related Prepaid Natural Gas Sales Agreements, in the event of the Port Authority or counterparty nonperformance, and in connection with other specified events. Under the Commodity Swaps no payment, in the amount of the fair value or otherwise, is to be made by the Swap Counterparty in connection with an early termination of such swap. However, if the Commodity Swaps are terminated as a result of the Port Authority’s default or as a result of the termination of the Prepaid Natural Gas Sales Agreements, the Port Authority would be obligated to pay a termination payment to the Swap Counterparty based on the net present value of the remaining notional quantities of gas during the remaining term multiplied by a fixed amount.

Credit Risk: The Commodity Swaps are tied to related gas prepay transactions and terminate in the event such transactions terminate. Therefore, the only credit risk associated with the Commodity Swaps is for margins lost on future commodity deliveries associated with a termination of the related gas prepay transactions in the event of a counterparty’s inability to perform in accordance with the terms of the related Commodity Swaps. Generally, the only amounts due upon termination of the Commodity Swap would be previously accrued but unpaid amounts. If the Swap Counterparty is rated below "A1" by Moody’s Investors Service, Inc., the Swap Counterparty is permitted to post collateral or post an alternative security arrangement within twenty-five Local Business Days of such downgrade. The Swap Counterparty must provide the Port Authority adequate assurances of Swap Counterparty’s ability to continue performing under all Transactions, which adequate assurances must be satisfactory to the Port Authority.

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 17 - 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.

Insurance for property holds a \$10,000 disappearing 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 Selective Insurance Company for claims in excess of \$1,000,000. The City has a Cyber Liability Insurance through AIG in the amount of \$1,000,000 with a \$25,000 deductible.

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

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

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

On January 1, 1998, the City established an internal service fund to provide group health, dental, and prescription drug benefits to employees and their eligible dependents through the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool (Note 22). SCOIC currently includes nineteen member school districts and governmental entities. The Bloom Carroll Local School District serves as the fiscal agent for the consortium. Premiums are paid into an internal service fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the Health Insurance Management Fund (internal service fund) are available to pay claims.

The agreement with SCOIC considers medical, surgical, and prescription drug programs to also be self-insured programs. The City retains the risk for the first \$150,000 of a covered individual medical claim.

Claims are paid by the City to the SCOIC. SCOIC contracts with CareFactor for claims servicing. The City has shared risk pool coverage with Jefferson Health Plan for covered individual medical claims in excess of \$200,000 up to \$1,500,000 per employee per year. The City also has a stop loss coverage insurance policy, purchased through Jefferson Health Plan, for covered individual medical claims in excess of \$1,500,000 per employee per year. The City has no stop loss coverage for the dental claims. The City did not renew the contract with SCOIC, and left the consortium June 30, 2020.

On July 1, 2020, the City became independently self-funded for health, dental, and prescription drug benefits. The City contracts with United Health Care for medical and prescription claims servicing and Delta Dental for dental claims servicing. The City has stop loss coverage through United Health Care for medical claims exceeding \$150,000 per covered member per year. The City has no stop loss coverage for dental claims.

The City offers a vision plan that is fully insured through VSP. Employees pay 100% of the premium cost for vision coverage.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 17 - INSURANCE AND RISK MANAGEMENT (Continued)

The claims liability of \$361,245 reported at December 31, 2020 is based on an estimate provided by an actuary for medical and dental claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two years, including medical, surgical, prescription drug, and dental are as follows:

Fiscal Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Liability
2019	\$1,048,151	\$8,115,006	(\$8,137,974)	\$1,025,183
2020	\$1,025,183	\$7,348,497	(\$8,012,435)	\$361,245

NOTE 18 - SIGNIFICANT COMMITMENTS

As of December 31, 2020, the City had the following commitments with respect to capital improvements:

Capital Projects	Remaining Construction Commitment
Water Pollution –Lawrence Street	\$22,522,108
Water Pollution – River Valley	308,211
Water Pollution – Upper Hocking	1,839,500

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the significant cash basis commitments for encumbrances were \$1,150,548 in the Gas Fund.

NOTE 19 - SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

The City has accrued a liability for landfill closure and postclosure care costs in the Sanitation Fund of \$862,688. 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 \$537,425 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS

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

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

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

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

F. Community Corrections Board (the “Board”)

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 20 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

G. Fairfield, Hocking and Athens Counties Council of Governments on Major Crimes Investigations (the “Council”)

The Council 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, Hocking, and Athens Counties to reduce the influence and effects of illegal drug trafficking activities and other major crimes. The Council has a seven 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, City of Logan and City of Athens. The Council also has a twelve member Operating Board which handles the daily operations and reports to the Governing Board. The Operating Board consists of the following: the Fairfield, Hocking, and Athens County Sheriffs and Prosecuting Attorneys, and the Chiefs of Police from the four cities listed above and the Chiefs of Police from the City of Nelsonville and of Ohio University. The Council’s revenues will consist of an annual grant applied for by the Fairfield County Commissioners that is given to the Council to maintain and local matches from the involved entities. Continued existence of the Board is not dependent upon the City’s continued participation, no equity interest exists, and no debt is outstanding.

NOTE 21– INSURANCE POOL

The City was a member of the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool through June 30, 2020. The City did not renew the contract with SCOIC, and left the consortium effective June 30, 2020. On July 1, 2020, the City became independently self-funded

NOTE 22 - 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, 2020 to December 31, 2020, the City received federal and state grants for specific purposes that are subject to reviews and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 23- COVID-19

The United States and the State of Ohio declared a state of emergency in March 2020 due to COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. In addition, the impact of the City’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 24- SPECIAL ITEM – TRANSFER OF OPERATIONS

Under an agreement between the Port Authority and the Lancaster Area Community Improvement Corporation (the “Corporation”), the Port Authority agreed to accept the transfer of the Corporation’s assets and liabilities. On October 30, 2020, the Corporation transferred the assets and liabilities which resulted in the Port Authority recognizing the following assets, liabilities and net position:

Transferred Assets	
Cash and Cash Equivalents	\$494,353
Land Held for Resale	<u>1,845,511</u>
Total Assets	2,339,864
Transferred Liabilities	
Unearned Revenue	<u>7,838</u>
Total Liabilities	7,838
Net Position of Transferred Operations:	
Unrestricted	<u>2,332,026</u>
Total Net Position	<u><u>\$2,332,026</u></u>

NOTE 25- SUBSEQUENT EVENTS

In January, 2021, the City issued \$1,500,000.00 of 1 year renewal general obligation notes payable for the purpose of paying cost of the construction and replacement of the Miller Park Water Treatment Plant and the acquisition of real property and appurtenances necessary therefor and the acquisition, construction and installation of wells, raw water distribution piping, approximately 5,300 feet of water lines, new fire hydrants and appurtenances along Whiley Road and Magna Avenue between certain termini, each including design and engineering work and together with all necessary appurtenances thereto (the “Improvement”). The notes carry an interest rate of 0.50%.

June 2021, the City entered into a \$281,914.65 (five year) Master Lease Purchase Agreement with Park National Bank. This Master Lease Agreement is to have a 2022 Horton Medic Unit built for the City to replace an existing aging Medic Unit. The interest rate on this five year Master Lease Agreement is 2.49%.

Effective January 1, 2021, the tax rate increased to 2.2%, which was approved by the voters of the City.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 26 - SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Generally accepted accounting principles require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

A. Major Suppliers

The Port Authority purchased all of its natural gas supply from the Royal Bank of Canada. There are a limited number of national gas suppliers with which the Port Authority could contract under prepay gas transactions and any disruption of deliveries under the supply contracts could have an impact on the Port Authority's operations.

B. Current Economic Conditions

The Port Authority survived the past few years of economic decline with relatively minor implications of both industrial demand for natural gas and the overall economy and revenue. The City of Lancaster's growth of all economic sectors of residential, commercial, and industrial activities has resumed to pre-recession levels and is expected to grow its population at a historic level of approximately one percent per year.

The Port Authority continually monitors the demand for natural gas against the provisions of the pre-pay transaction to assess the long-term feasibility of continuing the program as it is currently structured. The Port Authority continues to make all financial decisions and commitments with available cash and will not borrow funds against this transaction. The Port Authority is exploring other types of projects as it moves forward to maintain its overall goal of improving the economic development within the City of Lancaster.

NOTE 27 – ASSET RETIREMENT OBLIGATION

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage treatment system to the Ohio EPA for approval. Through this permitting process, the City would be responsible to address any public safety issues associated with their sewage treatment facilities and the permit would specify the procedures required to dispose of all or part of the sewage treatment plant. At this time, the City has not applied for, nor does it have, an approved permit from Ohio EPA to dispose of all or part of its sewage treatment plant. Due to the lack of specific legal requirements for retiring the sewage treatment plant, the City has determined that the amount of the Asset Retirement Obligation (ARO) associated with this capital asset cannot be reasonably estimated at this time.

APPENDIX D

**Annual Transaction Report of the Trustee for Lancaster Port Authority
Gas Supply Revenue Refunding Bonds, Series 2019**

Filed separately on August 9, 2021.