

CITY OF LANCASTER, OHIO

ANNUAL INFORMATION FILING FOR FISCAL YEAR 2017

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, 2017 (“Fiscal Year 2017”), 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	2022
\$5,795,000	Water System Revenue Refunding Bonds, Series 2012	6/14/2012	2029
\$3,680,000	Wastewater System Revenue Refunding Bonds, Series 2012	6/14/2012	2029
\$8,315,000	Courthouse Improvement Bonds, Series 2014	6/24/2014	2043
\$2,380,000	Various Purpose Refunding Bonds, Series 2014 (Tax-Exempt)	9/17/2014	2024
\$1,035,000	Real Estate Acquisition and Improvement Bonds, Series 2014 (Federally Taxable)	9/17/2014	2024
\$15,395,000	Wastewater System Refunding Revenue Bonds, Series 2016	6/1/2016	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 2016 of the type included in the final official statement for the primary offering and issuance by the Lancaster Port Authority in accordance with the continuing disclosure agreement entered into by the City:

Amount of Issue	Name of Issue	Date of Issue	Final Maturity
\$321,685,000	Gas Supply Revenue Refunding Bonds, Series 2014	8/1/2014	2038

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 2017 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 2017 or future financial or operating results. Finally, the inclusion of certain information pertaining to post-Fiscal Year 2017 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 17, 2018

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, 2017.

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 2017 were 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 on August 28, 2018. Those audited financial statements are hereby incorporated by reference and made a part of this Annual Information Filing.

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 2017”) 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.

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, 2017, the Water Utility served 15,417 users within the City and 126 users outside of the City. The total number and percentages of users by category are estimated to be: 14,112 (90.793%) residential; 1,233 (7.933%) commercial/institutional; 72 (0.463%) industrial; and 126 (0.811%) outside the City.

TreeHouse Foods (formerly Ralston Foods) (4.38%), EveryWare Global, Inc. (formerly Anchor Hocking Corp.) (3.3%), Fairfield Medical Center (2.48%) and Cintas (1.04%) were the largest users by volume in 2017 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 2017 was as follows:

2017 User Volume

Category	Cubic Feet (00s)
Residential	876,587
Commercial/Institutional	207,606
Industrial	166,027
Outside City	<u>6,721</u>
Total	1,256,941

Employees

Thirty-nine people are employed in the operation of the Water Utility, of which 18 are employed at the water treatment plants and wellfields and 21 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 expires on December 31, 2020. 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.

	2013	2014	2015	2016	2017
Revenues:					
Operating Revenues	\$7,414,958	\$7,499,334	\$7,693,229	\$8,126,427	\$8,201,619
Non-Operating Revenues	<u>583,313</u>	<u>496,943</u>	<u>487,195</u>	<u>579,855</u>	<u>690,603</u>
Total Revenues	\$7,998,271	\$7,996,277	\$8,180,424	\$8,706,282	\$8,892,222
Expenditures:					
Operation & Maintenance	\$5,353,189	\$5,597,699	\$5,783,942	\$5,670,638	\$5,909,450
Capital Improvements	120,000	240,000	240,000	240,000	240,000
Debt charges	<u>2,478,540</u>	<u>2,488,392</u>	<u>2,324,194</u>	<u>2,363,243</u>	<u>2,297,660</u>
Total Expenditures	\$7,951,729	\$8,326,091	\$8,348,136	\$8,273,881	\$8,447,110
Revenues Over (Under)					
Expenditures	\$46,043	\$(329,814)	\$(167,712)	\$432,401	\$445,112
Balance:					
January 1	\$3,005,289	\$3,051,342	\$2,721,528	\$2,553,816	\$2,986,217
December 31	\$3,051,342	\$2,721,528	\$2,553,816	\$2,986,217	\$3,431,329

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 \$5.09 per 100 cubic feet for residential users; \$5.09 for first 100 cubic feet, \$4.43 per 101 to 250 cubic feet, \$3.72 per 251 to 2,500 cubic feet, \$3.37 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	\$10.08	\$0.50	\$5.09
	3/4 inch	11.37	0.75	5.09
	1 inch	13.92	1.00	5.09
	1-1/2 inch	16.64	2.00	5.09
Outside Corp	5/8 inch	\$15.11	\$0.50	\$7.03
	3/4 inch	17.05	0.75	7.03
	1 inch	20.88	1.00	7.03
	1-1/2 inch	24.96	2.00	7.03
	2 inch	31.82	3.00	7.03
	3 inch	36.49	3.00	7.03
	4 inch	44.26	3.00	7.03
	6 inch	54.31	3.00	7.03
Commercial and Industrial	5/8 inch	\$10.08	\$0.50	(a)
	3/4 inch	11.37	0.75	(a)
	1 inch	13.92	1.00	(a)
	1-1/2 inch	16.64	2.00	(a)
	2 inch	21.21	3.00	(a)
	3 inch	24.33	3.00	(a)
	4 inch	29.50	4.00	(a)
	6 inch	36.21	6.00	(a)
	8 inch	55.34	8.00	(a)
	10 inch	80.68	10.00	(a)
	12 inch	101.84	10.00	(a)

(a) Water rates for commercial and industrial users are \$5.09 for the first 100 cubic feet, \$4.43 for 101 to 250 cubic feet, \$3.72 for 251 to 2,500 cubic feet and \$3.37 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		\$5,535	
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 ¾-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, 2017, 2,700 Water Utility accounts (representing 14.76% of all the accounts), totaling \$110,175 (representing 17.74% of amounts payable) were delinquent for more than 29 days, and 634 accounts (representing 3.47% of all accounts), totaling \$49,955 (representing 7.92% 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:

<u>2012 Water Bonds</u>			
Year	Principal ^(a)	Interest	Total Debt Charges
2018	\$330,000.00	\$187,431.26	\$517,431.26
2019	340,000.00	174,231.26	514,231.26
2020	350,000.00	160,631.26	510,631.26
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 2018 through 2022 are as follows:

	2018	2019	2020	2021	2022
Revenues	\$9,289,484	\$9,475,273	\$9,475,273	\$9,664,780	\$9,664,780
Less: Operating Expenses	<u>(5,940,323)</u>	<u>(6,059,129)</u>	<u>(6,180,311)</u>	<u>(6,303,917)</u>	<u>6,429,995</u>
Net Revenues	\$3,349,252	\$3,416,144	\$3,294,962	\$3,360,863	\$3,234,785
Debt Charges on the Series 2012 Bonds	\$517,431	\$ 514,231	\$510,631	\$516,631	\$510,531
Debt Charges on Other Utility Indebtedness	<u>1,955,084</u>	<u>1,955,084</u>	<u>1,955,084</u>	<u>1,955,084</u>	<u>1,717,563</u>
Total Utility Debt Charges	\$2,472,515	\$2,469,315	\$2,465,715	\$2,471,715	\$2,228,094
Debt Coverage:					
Bonds	6.47	6.64	6.45	6.51	6.34
All Utility Debt	1.35	1.38	1.33	1.36	<u>1.45</u>

The projections of Water Revenues assumes a 1.1% annual growth and rate increases of 3% in 2018, 3% in 2019, 0% in 2020, 2% in 2021 and 0% in 2022. The projections of Operating Expenses assumes a 2% annual increase in Operating Expenses in 2018 through 2022.

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 \$10,941,141

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 15,250 users within the City and 15 outside the City.

The total number and percentages of users by category as of December 31, 2017 were:

	Inside the City		Outside the City	
	Number of Users	Percentages of Users	Number of Users	Percentages of Users
Residential	13,965 ⁽¹⁾	91.483	15	0.098
Commercial/Institutional	1,219	7.985	1 ⁽²⁾	0.000
Industrial	66	0.432	0	0.000

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

(2) 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 2017 were:

Customer	% of Volume Usage	Dollar Sales
TreeHouse (formerly Ralston)	3.82	\$210,835
EveryWare Global	3.77	207,763
Greenfield Township	5.02	263,629
Fairfield Medical Center	2.56	156,812
Fairfield County Utilities	1.02	123,768

The percentage of user volume by each category of users for Fiscal Year 2017 was as follows:

Category	Inside City Cubic Feet (00s)	Outside City Cubic Feet (00s)
Residential	946,287	823
Commercial/Institutional	226,138	N/A
Industrial	<u>48,376</u>	<u>N/A</u>
Total	1,220,801	823

Employees

Twenty-two people are employed in the operation of the Wastewater Utility, of which 17 are employed at the wastewater treatment facilities and five 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 expires on December 31, 2020. 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.

	2013	2014	2015	2016	2017
Revenues:					
Operating Revenues	\$9,737,744	\$10,189,141	\$10,132,420	\$10,693,504	\$10,852,549
Non-Operating Revenues	1,145,962	1,138,506	1,126,085	1,531,785	1,793,871
Total Revenues	\$10,883,706	\$11,327,647	\$11,258,505	\$12,225,259	\$12,636,420
Operating Expenses:					
Operation & Maintenance	\$3,838,953	\$3,910,467	\$3,755,809	\$4,045,226	\$4,325,968
Capital Improvements	125,000	125,000	86,714	95,026	340,000
Total Operating Expenses	\$3,963,953	\$4,035,467	\$3,842,523	\$4,140,252	\$4,665,968
Net Revenues	\$6,919,753	\$7,292,180	\$7,415,982	\$8,085,007	\$7,970,452
Plus: Amounts on deposit in Utility Reserve Fund (as of March 15)	\$3,927,613	\$4,736,762	\$5,108,432	\$4,048,859	\$4,685,166
Less: Extraordinary items relating to extinguishment of debt	\$0	\$0	\$0	\$0	\$0
Net Revenues Available for Service Charges	\$10,847,366	\$12,028,942	\$12,524,414	\$12,133,866	\$12,655,618
Service Charges					
Debt Service on the Series 2008 Bonds	\$1,434,588	\$1,435,575	\$1,435,913	\$1,039,519	\$703,500
Debt Service on the Series 2012 Bonds	143,500	143,200	317,900	319,100	333,350
Debt Service on the Series 2016 Bonds	0	0	0	300,575	611,150
Debt Service on Other Utility Indebtedness	4,489,473	4,012,898	3,536,156	2,241,000	2,455,686
Total Utility Service Charges	\$6,067,561	\$5,591,673	\$5,289,969	\$3,900,194	\$4,103,686
Coverage Ratio					
Bonds	6.87	7.62	7.14	7.31	7.67
All Utility Indebtedness	1.79	2.15	2.37	3.11	3.08

Wastewater Rates and Charges

City Council establishes the rates and charges for the Wastewater Utility. 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

<u>Customer Charge</u>
\$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 \$6.28 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 expires in 2018 but automatically renews for additional two-year periods unless either the City or the District provide one year's notice of termination.

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, 2017, 2,551 Utility accounts (representing 14.17% of all the accounts), totaling \$147,558 (representing 17.4% of amounts payable), were delinquent for more than 29 days, and 546 accounts (representing 3.03% of all accounts) totaling \$65,671 (representing 7.63% 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
	Interest	Interest	Principal ^(a)	Interest	
2018	\$205,000.00	\$114,150.00	\$715,000	\$600,850	\$1,635,000.00
2019	210,000.00	105,950.00	740,000	579,400	1,635,350.00
2020	220,000.00	97,550.00	765,000	557,200	1,639,750.00
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 projected debt service on the Series 2016 Wastewater Bonds, the debt service on 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 2018 through 2022 are as follows:

	2018	2019	2020	2021	2022
Revenues					
Operating Revenues	\$10,851,372	\$10,851,372	\$11,176,913	\$11,176,913	\$11,176,913
Non-Operating Revenues	1,149,476	1,149,476	1,061,783	1,061,783	1,061,783
Total Revenues	\$12,000,848	\$12,000,848	\$12,238,696	\$12,238,696	\$12,238,696
Operating Expenses					
Operation & Maintenance	\$4,555,150	\$4,649,253	\$4,799,231	\$4,895,216	\$4,993,120
Capital Improvements	150,000	150,000	150,000	150,000	150,000
Total Operating Expenses	\$4,705,150	\$4,799,253	\$4,943,231	\$5,045,216	\$5,143,120
Net Revenues	\$7,295,698	\$7,201,595	\$7,295,465	\$7,193,480	\$7,095,556
Plus: Amounts on deposit in Utility Reserve Fund (as of March 15)	\$7,846,539	\$7,846,539	\$6,346,539	\$3,846,539	\$3,846,539
Less: Extraordinary items relating to extinguishment of debt	\$0	\$0	\$0	\$0	\$0
Net Revenues Available for Service Charges	\$15,142,237	\$15,048,134	\$13,642,004	\$11,040,019	\$10,942,095
Service Charges					
Debt Charges on the Series 2012 Bonds	\$319,150	\$315,950	\$317,550	\$323,750	\$321,700
Debt Charges on the Series 2016 Bonds	1,315,850	1,319,400	1,322,200	1,321,600	1,314,800
Debt Charges on Other Utility Indebtedness	2,356,710	2,356,645	2,356,645	2,301,612	2,306,212
Total Utility Service Charges	\$3,991,710	\$3,991,995	\$3,996,395	\$3,946,962	\$3,942,712
Coverage Ratio:					
Bonds	9.26	9.20	8.35	6.71	6.68
All Utility Debt	3.79	3.77	3.41	2.79	2.77

The projections of Wastewater Revenues assumes a 1.1% annual growth and rate increases of 2% in 2018, 0% in 2019, 3% in 2020, 0% in 2021 and 0% in 2022. The projections of Operating Expenses assume a 2% annual increase in Operating Expenses in 2018 through 2022.

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, 2017 of \$27,039,797 with annual payments through 2031. The estimated payments on the loans in years 2018 through 2022 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 2018 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. Under recent and current practices and the City's adopted investment policy, in addition to deposits evidenced by interest bearing certificates of deposit, investments are made in the State Treasurer's subdivision investment pool (STAR Ohio), money markets, repurchase agreements (with the underlying securities held on the City's behalf by its custodian, Huntington National Bank), certain of the City's own bonds and notes, and federal Treasury and Agency securities.

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 (“CAFR”), including General Purpose Financial Statements. The CAFRs through Fiscal Year 2016 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 2017 CAFR to the GFOA for consideration.

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 2017. No material findings, citations or items for adjustment, or material weaknesses in internal controls, were noted as part of the audit.

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.

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AD VALOREM PROPERTY TAXES

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
2014 ^(c)	\$702,324,410	\$20,321,040	\$722,645,450
2015	699,205,490	20,315,840	719,521,330
2016	701,286,290	20,736,980	722,023,270
2017 ^(d)	720,449,540	19,795,850	740,245,390
2018	717,240,540	19,977,210	737,217,750

- (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 sexennial reappraisal.
- (d) Reflects triennial adjustment.

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 500.105 acres have been annexed to the City and none are the subject of pending annexation.

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Based on County Auditor records of assessed valuations for the 2018 tax collection year, the largest City ad valorem property taxpayers as of December 31, 2017 are:

Name of Taxpayer	Nature of Business	Assessed Valuation	% of Total Assessed Valuation
<u>Real</u>			
Lancaster Apartment Properties	Apartments	\$7,288,810	0.99%
LB-UBS 2006-C1 River Valley Circle	Commercial Real Estate	7,129,500	0.97
River Valley Plaza LP	Commercial Real Estate	5,530,000	0.75
DOC-2405 North Columbus Street	Medical Offices	4,480,000	0.61
Canam PO LP	Manufacturer	4,333,680	0.59
DFG Lancaster LLC	Commercial Real Estate	3,648,750	0.49
Lancaster Phase One Group PLL	Residential	3,544,580	0.48
CHP Lancaster OH Senior Living	Apartments	3,237,500	0.44
SUSO 4 Hocking LP	Commercial Real Estate	2,998,290	0.41
Cole GE Lancaster OH LLC	Commercial Real Estate	2,603,400	0.35
<u>Public Utility</u>			
Ohio Power Company	Electric Transmission	\$17,044,020	2.31%
Columbia Gas Transmission Corp.	Gas	1,253,840	0.17
AEP Ohio Transmission Company	Electric Transmission	1,211,940	0.16
Rockies Express Pipeline LLC	Gas	455,510	0.06
All Others		\$672,457,930	91.22%
Total		\$737,217,750	100.00%

Pursuant to statutory requirements for sexennial reappraisals, in 2013 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 2013 duplicate (collection year 2014) and in the ad valorem taxes distributed to the City in 2014 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.

Public utility tangible personal property (with some exceptions) is currently assessed (depending on the type of property) from 25% to 88% of true value. Effective for collection year 2002, the assessed valuation of electric utility production equipment was reduced from 100% and natural gas utility property from 88% of true value, both to 25% of true value.

The taxation of all tangible personal property used in general businesses (excluding certain public utility tangible personal property) was phased out over tax years 2006 to 2009. Previously, machinery and equipment and furniture and fixtures were generally taxed at 25% of true value, and inventory was taxed at 23%. The taxation of all tangible personal property used by telephone, telegraph or interexchange telecommunications companies (“telecommunications property”) was phased out over tax years 2007 to 2011. Previously, telecommunications property was taxed at 25% or 46% of true value (depending on the type of equipment and when it was placed into service).

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 payments from the State.

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 **AD VALOREM PROPERTY TAXES - 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, 2016.

- The County (functions allocated to counties by Ohio law, such as elections, health and human services and judicial) (20.02%).
- Township of Greenfield (0.81%) and Pleasant (0.63%) (limited functions allocated to townships by Ohio law).

- A portion of the Lancaster City School District (K-12 educational responsibilities) (77.20%). Portions of other school districts are also included in the City as follows: Amanda Creek Local School District (0.57%) and Berne Union Local School District (3.35%).
- Eastland Fairfield Career Center Joint Vocational School District (vocational education program) (0.07%).
- Fairfield County Library District (20.02%).
- Fairfield County Historical Parks District (20.02%).

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
2014	6.40	8.55	0.50	0.40	68.30	84.15
2015	6.40	8.55	0.50	0.40	68.30	84.15
2016	6.40	10.40	0.50	0.40	68.30	86.00
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

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 the 2018 tax collection year of 86.80 mills within the City (in that portion of the City within the Lancaster City School District) is reduced by reduction factors of 0.512894 for residential/agricultural property and 0.450667 for all other real property, which results in “effective tax rates” of 42.280861 mills for residential and agricultural property and 47.682148 mills for all other real property. See **AD VALOREM PROPERTY TAXES - 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 - 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, both inside and outside the ten-mill limitation.

**TAX TABLE B
City Tax Rates**

Inside the Limitation

Collection Year	Operating	Police and Fire Pension	Roads	Total
2014	2.80	0.60	3.00	6.40
2015	2.80	0.60	3.00	6.40
2016	2.80	0.60	3.00	6.40
2017	2.80	0.60	3.00	6.40
2018	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
2013	\$2,448,533	\$2,344,555	95.80%	\$103,979	\$284,699
2014	4,563,289	4,393,054	96.30	172,350	426,051
2015	4,595,836	4,416,250	96.10	139,592	398,676
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

(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. Homestead Exemptions have been 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 2017 was \$139,796 for the elderly/disabled homestead payment and \$357,676 for the rollback payment.

Legislation passed by the State’s General Assembly 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 – 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 Assessment</i> ^{(a)(b)}		Delinquent	
		Current Collected	Current % Collected	Current	Accumulated
2013	\$163,272	\$108,748	66.61%	\$42,496	\$189,876
2014	152,315	117,399	77.08	43,152	193,005
2015	190,930	145,970	76.45	50,967	173,273
2016	170,329	164,747	96.72	38,239	236,195
2017	165,567	149,133	90.07	47,260	252,820

- (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**.

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

Tax Collection Year	Total Non-Exempt Parcels	Parcels Certified as Delinquent^(a)
2013	16,992	516 ^(b)
2014	16,922	450
2015	16,884	482
2016	16,894	413
2017	16,910	363

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

(b) Decrease due to tax lien sales.

Of the 16,910 nonexempt parcels in the City for collection year 2017, the number of delinquent parcels was 363 of which 21 of those parcels had foreclosure proceedings commenced.

There is 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 tax collection year 2017.

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 assistance 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.

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 2012. 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.

Income tax proceeds, after payment of collection expenses, have been allocated by the Council for Fiscal Year 2017 to the General Fund.

Annual income tax receipts in recent years were:

Year	Rate	Total Receipts	Accumulated Delinquency
2013	1.75%	\$17,174,849	\$1,294,482
2014	1.75	17,373,322	1,487,314
2015	1.75	18,367,708	1,818,111
2016	1.75	19,599,451	2,032,497
2017	1.75	19,024,341	2,073,840

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, the following employers each contributed more than 5% of the City income taxes collected in 2017:

Employer	Nature of Business
Fairfield Medical Center	Hospital
Anchor Hocking	Manufacturer

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
2013	\$829,684
2014	811,334
2015	858,876
2016	799,156
2017	717,151

The amounts of and formula for distribution of these funds have been and may be revised from time to time.

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, 2014 Courthouse Bonds, 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, 2014 VP Bonds and 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, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion, and to limitations on legal remedies against public entities). As of December 31, 2016 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, an ad valorem tax 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, arrangement, fraudulent conveyance or transfer, reorganization, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, 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. While BANs are outstanding, Ohio law requires the levy of an ad valorem property tax 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 (the maximum

maturity for special assessment BANs is five years). 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, 2017, the City had \$2,201,000 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 10-1/2% 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 5-1/2% 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) also is restricted by the indirect debt limitation discussed below under **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” (*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.

- In anticipation of the levy or collection of special assessments.
- To pay final judgments or court-approved settlements.
- Securities issued to improve 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, 2017 were:

Limitation	Nonexempt Debt Outstanding	Additional Debt Capacity Within Limitation
10-1/2% = \$77,407,863	\$10,310,026	\$67,097,837
5-1/2% = \$40,546,976	\$10,310,026	\$30,236,950

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. This 10 mills is allocated pursuant to a statutory formula among certain overlapping taxing subdivisions in the County, including the City. The entire 10 mills is currently being levied by the combination of the City and taxing subdivisions overlapping the City. The current allocation of the 10 mills (sometimes referred to as the “inside millage”) is as follows: 3.40 City, 2.60 County, 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 subdivision 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 because 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 is expected to be paid in fact from municipal income taxes, special assessments, utility revenues or other sources.

As of December 31, 2017, the highest debt charges requirement in any year for all City debt subject to the ten-mill limitation was estimated to be \$1,304,041. 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 1.7689 mills based on current assessed valuation. Of this maximum annual debt charges requirement, \$375,581 is expected by the City to be paid from sources other than ad valorem taxes, such as special assessments, utility 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, 2017, the total millage theoretically required by the City, the Lancaster City School District, Eastland Joint Vocational School 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 5.2976 mills for Fiscal Year 2020, the year of the highest potential debt charges requirements. There thus remained 4.7024 mills within the ten-mill limitation that had yet to be allocated to debt charges and that was 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 subdivision 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 Total GO	
			Voted	Unvoted
2013	\$1,931,000	\$5,331,575	\$-0-	\$5,331,575
2014	2,956,200	15,175,537	-0-	15,175,537
2015	4,131,000	15,714,235	-0-	15,714,235
2016	3,600,600	14,530,150	-0-	14,530,150
2017	3,028,300	13,338,326	-0-	13,338,326

Bond Anticipation Notes

As of December 31, 2017, \$2,201,000 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
2013	\$2,534,952	\$2,499,798	\$157,758
2014	4,547,423	4,705,181	0
2015	1,010,593	998,724	11,869
2016	2,670,926	2,682,795	0
2017	1,074,928	1,074,928	0

Future Financings

In addition to the issuance of bonds or BANs to retire at maturity the City's outstanding BANs or the issuance of bonds to refund the City's outstanding bonds, the City expects to issue approximately \$1,000,000 of general obligation debt within the next 12 months to finance improvements to City Hall and the City Hall Annex buildings.

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 \$1,846,150 in 2017 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 2017 is \$2,935,724; those payments decline to \$2,600,441 in year 2018, and further decline in 2019 to \$2,317,324 and in years 2020 through 2031 payments incrementally increase with a final payment of \$2,365,591.

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 annual payments of \$6,086. Debt service on that loan is paid from the City's general fund.

See the discussion under **Retirement Expenses** for the City's required annual payments for allocated accrued liability of the statewide pension fund for police and fire personnel.

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% in each of the years 2013 through 2015. 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 2017 reporting with respect to employer pensions, see the Notes to the Fiscal Year 2017 Financial Statements previously filed on EMMA. 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 2017, 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. In Fiscal Year 2017, 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 14.0% for police personnel and 14.0% for fire personnel. These employee and employer contribution rates are 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 - 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 15,965 customers, with an average daily consumption of approximately 1,794,597 thousand cubic feet (“Mcf” millions of cubic feet) of natural gas, through approximately 254 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 will expire on December 31, 2020. 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 1,008 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 \$58,100,000. Facilities contained within the infrastructure include natural gas mains, meters, corrosion control rectifiers, and regulating and metering equipment.

The infrastructure represents approximately 254 miles of distribution pipe that provides natural gas service to 15,965 customer meters. Additionally, there are approximately 1,400 valves, five natural gas delivery stations and 22 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, 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 2020. 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 March 2019. 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 2017, LMG completed replacement and upgraded gas mains and service lines primarily in the West Mulberry area. The upgrade includes 19,500 feet of new medium pressure two-inch distribution pipeline and 2,500 feet of new medium pressure four-inch distribution pipelines and will remove 14,000 feet of bare steel mains. Approximately 506 services were upgraded in this area alone with 52 of those services being coated risers. The bare steel and coated riser replacement program is reducing annual numbers of leaks thus improving the safety risks associated with leaks. Beginning in 2018 and under a three-year contract, LMG started the North Central Gas Main Replacement program. Phase 1 will install 12,950 feet of two-inch main, 266 new services, replace 40 coated risers, 99 Meter move-outs and retire 8,567 feet of bare steel and 4,217 feet of coated steel mains. In 2019 and 2020, LMG will install 16,400 feet of two-inch mains, 586 services, 200 meter move-outs, 32 coated risers and retire 22,514 feet of bare steel and 246 feet of coated steel mains.

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 85% 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.

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 2013 through 2017**

<u>User type and Monthly Rate Block</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Residential ¹					
Monthly charge per meter	\$6.00	\$6.00	\$6.00	\$6.00	\$6.00
Total Rate ² (per ccf) ³	\$0.69 - \$0.80	\$0.80 - \$0.90	\$0.85 - \$0.70	\$0.75 - \$0.65	\$0.75-\$0.65
Small Non-Residential ³ (Commercial)					
Monthly charge per meter:	\$10.00	\$10.00	\$10.00	\$10.00	\$10.00
Total Rate ² (per ccf)	\$0.68 - \$0.79	\$0.79 - \$0.89	\$0.84 - \$0.65	\$0.75 - \$0.65	\$0.75-\$0.65
Large Non-Residential ⁴ (Industrial)					
Monthly charge per meter:	\$50.00	\$50.00	\$50.00	\$50.00	\$50.00
Total Rate ² (per ccf)	\$0.64 - \$0.75	\$0.75 - \$0.85	\$0.80 - \$0.65	\$0.75 - \$0.65	\$0.75-\$0.65

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 4,916 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 2017, the Gas Enterprise supplied approximately 15,905 customers with approximately 1,794,597 Mcf of natural gas. The following table sets forth a six-year history of billing amounts, natural gas deliveries in Mcf by customer type and the average rate per Mcf.

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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)			
	<u>Residential</u>¹	<u>Commercial</u>¹	<u>Industrial</u>¹	<u>Total</u>¹	<u>Residential</u>	<u>Commercial</u>	<u>Industrial</u>	<u>Total</u>
2013	\$8,124,368	\$2,823,922	\$2,969,809	\$13,918,099	995,321	394,289	601,969	1,991,579
2014	10,455,206	3,761,155	3,542,176	17,758,537	1,087,783	436,581	605,858	2,130,222
2015	8,365,848	3,042,675	2,459,822	13,868,345	969,417	357,304	585,481	1,912,202
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

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, 2017. In the aggregate, the ten largest customers represented approximately 25% 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, 2017**

<u>Customer</u>	<u>MCF</u>	<u>Sales</u>
Ralston	157,975	\$605,903
Mondi	66,261	382,813
Crown Cork&Seal	66,461	287,674
FMC	98,446	505,114
US Corr	51,331	230,460
SRI Ohio	52,353	236,380
Cintas	12,201	84,307
FPM	11,147	58,464
Crown Cork&Seal#2	3,894	17,840
YMCA	5,193	32,069
Totals	525,225	\$2,441,024

The City recently completed expansion of the Rock Mill Industrial Park, adding 180 acres of shovel ready sites with all utilities and a pre-1994 Community Reinvestment Area (“CRA”), providing 15-year/100% Real Property tax abatement. The site has been certified by the Austin Company as a true shovel-ready site. In 2016, the City rezoned 122 acres (Ruble Tract) adjacent to Rock Mill Industrial Park to industrial heavy zoning for future industrial growth for the region.

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 2013 through 2017.

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**City of Lancaster Municipal Gas Department
Statements of Net Assets (Audited)
Fiscal Years ended December 31, 2013 through 2017**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Assets:					
Current Assets:					
Cash & Cash Equivalents	\$876,089	\$1,025,413	\$599,033	\$137,012	\$992,952
Cash & Cash Equivalents with Fiscal Agent	0	0	0	0	0
Investments	7,975,157	7,937,519	9,748,437	9,766,303	8,890,411
Accounts Receivable	2,671,091	2,791,405	1,807,903	2,364,439	2,359,418
Interest Receivable	0	0	0	0	0
Due from Other Funds	0	0	0	0	0
Inventory	2,355,447	3,065,765	1,769,932	2,315,309	2,102,965
Prepaid Items	20,270	22,869	23,452	24,567	24,318
Prepaid Gas Supply - Current	0	0	0	0	0
Total Current Assets	\$13,898,054	\$14,842,971	\$13,948,757	\$14,607,630	\$14,370,064
Noncurrent Assets:					
Restricted Assets	0	0	0	0	0
Cash & Cash Equivalents	101,794	100,018	113,772	116,377	120,823
Investments	0	0	0	0	0
Total Restricted Assets	\$101,794	\$100,018	\$113,772	\$116,377	\$120,823
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	399,236	427,107	443,565	458,211	856,725
Capital Assets Being Depreciated	9,137,656	9,983,051	10,745,805	11,533,505	11,854,201
Total Capital Assets (net of accumulated depreciation)	\$9,536,892	\$10,410,158	\$11,189,370	\$11,991,716	\$12,710,926
Total Noncurrent Assets	\$9,638,686	\$10,510,176	\$11,303,142	\$12,108,093	\$12,831,749
Total Assets	\$23,536,740	\$25,353,147	\$25,251,899	\$26,715,723	\$27,201,813
Deferred Outflows of Resources:					
Deferred Loss on Early Retirement of Debt Pension	0	0	221,272	675,674	874,523
Deferred Outflow from Derivative Instruments	0	0	0	0	0
Total Deferred of Resources	\$0	\$0	\$221,272	\$675,674	\$874,523

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	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Liabilities:					
Current Liabilities:					
Accounts Payable	\$270,026	\$440,607	\$293,446	\$266,404	\$325,276
Accrued Wages & Benefits	111,491	111,956	52,614	46,673	49,656
Intergovernmental Payable	0	0	2,286	0	0
Claims Payable	0	0	0	0	0
Due to Others, Payable from Restricted Assets	101,794	100,018	113,772	116,377	120,823
Due to Other Funds	627,769	723,678	364,103	537,762	508,193
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	19,632	24,219	21,127	25,516	28,164
Total Current Liabilities	\$1,130,712	\$1,400,478	\$847,348	\$992,732	\$1,032,112
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	308,033	329,934	350,009	402,704	426,177
Net Pension Liability	0	0	1,252,751	1,776,141	2,263,890
Fair Value of Derivative Instruments	0	0	0	0	0
Total Noncurrent Liabilities	308,033	329,934	1,602,760	2,178,845	2,690,067
Total Liabilities	\$1,438,745	\$1,730,412	\$2,450,108	\$3,171,577	\$3,722,179
Deferred Inflows of Resources:					
Pension	0	0	22,008	34,318	43,609
Deferred Inflow from Derivative Instruments	0	0	0	0	0
Total Deferred Inflow of Resources	0	0	\$22,008	\$34,318	\$43,609
Net Position:					
Net Investment in Capital Assets	9,536,892	10,410,158	11,189,370	11,991,716	12,710,926
Restricted for Gas Insurance Deposit	0	0	0	0	0
Unrestricted	12,561,103	13,212,577	11,811,685	12,193,786	11,599,622
Total Net Position	\$22,097,995	\$23,622,735	\$23,001,055	\$24,185,502	\$24,310,548

City of Lancaster Municipal Gas Department
Statements of Revenues, Expenses and Changes in Fund Net Assets (Audited)
Fiscal Years ended December 31, 2013 through 2017

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Operating Revenues:					
Charges for Services	\$14,383,391	\$17,522,047	\$13,846,220	\$11,732,603	\$12,244,265
Other Operating Revenues	738,351	75,460	214,573	686,599	1,101,905
Total Operating Revenues	\$15,121,742	\$17,597,507	\$14,060,793	\$12,419,202	\$13,346,170
Operating Expenses:					
Personal Services	\$790,817	\$1,010,275	\$1,713,776	\$1,842,472	\$2,146,569
Contractual Services	1,814,782	1,870,220	1,074,464	1,022,527	776,528
Cost of Gas Sold	10,349,075	11,732,726	9,551,764	7,034,712	8,948,378
Materials and Supplies	503,054	359,214	578,741	583,805	534,646
Depreciation	590,504	636,214	692,083	757,909	815,003
Health Insurance Claims	0	0	0	0	0
Total Operating Expenses	\$14,048,232	\$15,608,649	\$13,610,828	\$11,239,425	\$13,221,124
Operating Income (Loss)	\$1,073,510	\$1,988,858	\$449,965	\$1,179,777	\$125,046
Non-Operating Revenue (Expenses)					
Interest Income	0	0	0	0	0
Interest and Fiscal Charges	0	0	0	0	0
Loss on Disposal of Capital Assets	0	0	0	0	0
Intergovernmental Grants	0	0	0	0	0
Other Non-operating Revenue	0	0	0	0	0
Total Non-Operating Revenue (Expenses)	0	0	0	0	0
Income (Loss) Before Contributions & Special Items	\$1,073,510	\$1,988,858	\$449,965	\$1,179,777	\$125,046
Capital Contributions	0	0	0	0	0
Transfers Out	0	0	0	0	0
Transfers In	0	0	0	4,670	0
Change in Net Position	\$1,073,510	\$1,988,858	\$449,965	\$1,184,447	\$125,046
Net Position Beginning of Year	21,024,485	21,633,877	22,551,090	23,001,055	24,185,502
Net Position End of Year	\$22,097,995	\$23,622,735	\$23,001,055	\$24,185,502	\$24,310,548

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, 2016 and 2017.

The total volume of natural gas delivered in Fiscal Year 2017 was 1,794,597 Mcf, compared to 1,725,409 Mcf, in Fiscal Year 2016. The average sale of natural gas per Mcf was \$6.60 in Fiscal Year 2017, compared to \$7.00 in Fiscal Year 2016, 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. Additionally, the City has an umbrella property insurance risk policy in the amount of \$5,000,000, a cyber-liability policy with a limit of \$1,000,000 and a crime policy covering all employees, officers and elected officials, including Public Employee Dishonesty and Faithful Performance policy, with limits of \$1,000,000 and \$50,000, respectively.

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.

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DEBT TABLE A

**Principal Amounts of Outstanding Debt;
Leeway for Additional Debt Within Direct Debt Limitations
(as of December 31, 2017)**

A.	Total debt:		\$36,613,326
B.	Exempt debt:		
	Category	Outstanding Principal Amount	
	Income Tax	\$1,620,000	
	Revenue	23,275,000	
	Sewer	581,000	
	Special Assessment	105,000	
	Tax Increment Financing	<u>722,300</u>	
	Total exempt debt:		\$26,303,000
C.	Total nonexempt debt [A minus B]		\$10,310,026
D.	5-1/2% of tax (assessed) valuation (unvoted nonexempt debt limitation):		\$40,546,976
E.	Total nonexempt limited tax bonds and notes outstanding:		
	Bonds	\$10,310,026	
	Notes	<u>\$-0-</u>	\$10,310,026
F.	Debt leeway within 5-1/2% unvoted debt limitation [D minus E]		\$30,236,950 ^(a)
G.	10-1/2% of tax (assessed) valuation (voted and unvoted debt limitation):		\$77,407,863
H.	Total nonexempt bonds and notes outstanding:		
	Bonds	\$10,310,026	
	Notes	<u>\$-0-</u>	\$10,310,026
I.	Debt leeway within 10-1/2% debt limitation [G minus H]		\$67,097,837 ^(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, 2017)**

	Amount	Per Capita^(a)	% of City's Current Assessed Valuation^(b)
City Nonexempt GO Debt	\$10,310,026	\$265.86	1.40%
Total City GO Debt (exempt and non-exempt)	13,338,326	343.95	1.81
Highest Total Overlapping GO Debt ^(c)	83,127,047	2,143.55	11.27

(a) Based on 2010 City population of 38,780.

(b) The City's assessed valuation as of December 31, 2017: \$737,217,750.

(c) Includes, in addition to "Total City GO Debt," allocations of total GO debt of overlapping debt issuing subdivisions (as of December 31, 2017) resulting in the calculation of highest total overlapping debt based on percent of tax (assessed) valuation of territory of the subdivisions located within City (% figures are resulting percent of total debt of subdivisions allocated to City in this manner), as follows:

\$ 3,627,341 County (20.02%);
 \$ 66,160,400 Lancaster City School District (77.20%); and
 \$ 980 Eastland-Fairfield Career Center JVSD (0.07%).

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

\$ 8,870 Greenfield Township (0.81%);
 \$ 8,693 Amanda-Clearcreek Local School District (0.57%); and
 \$ 12,574 Berne Union Local School District (3.35%).

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, 2017)**

Year	Debt Charges on Bonds		Total Debt Charges	Portions of Total Debt Charges Anticipated To Be Paid From				
	Outstanding Bonds	Anticipated by BANs		Limited Ad Valorem Taxes	Special Assessments	Income Tax	Sewer Revenue	Tax Increment Financing
2018	\$1,094,618.03	\$49,145.00	\$1,143,763.03	\$926,707.28	\$29,750.00	\$0.00	\$49,145.00	\$138,160.75
2019	1,083,068.41	213,680.00	1,296,748.41	918,258.16	29,525.00	157,200.00	56,480.00	135,285.25
2020	1,095,341.36	208,700.00	1,304,041.36	928,460.11	29,750.00	153,600.00	55,100.00	137,131.25
2021	1,084,848.47	208,720.00	1,293,568.47	921,637.22	29,400.00	155,000.00	53,720.00	133,811.25
2022	1,053,640.44	203,440.00	1,257,080.44	918,302.69	0.00	151,100.00	52,340.00	135,337.75
2023	945,176.52	204,160.00	1,149,336.52	928,384.52	0.00	152,200.00	51,960.00	16,792.00
2024	882,425.00	198,520.00	1,080,945.00	865,605.00	0.00	148,000.00	50,520.00	16,820.00
2025	473,515.50	192,880.00	666,395.50	456,787.50	0.00	143,800.00	49,080.00	16,728.00
2026	476,182.50	197,240.00	673,422.50	459,362.50	0.00	144,600.00	52,640.00	16,820.00
2027	473,388.00	191,000.00	664,388.00	456,600.00	0.00	140,100.00	50,900.00	16,788.00
2028	474,523.50	189,760.00	664,283.50	457,787.50	0.00	140,600.00	49,160.00	16,736.00
2029	475,364.00	183,220.00	658,584.00	458,600.00	0.00	135,800.00	47,420.00	16,764.00
2030	475,268.00	181,680.00	656,948.00	458,400.00	0.00	136,000.00	45,680.00	16,868.00
2031	474,544.00	175,840.00	650,384.00	457,800.00	0.00	130,900.00	44,940.00	16,744.00
2032	456,800.00	178,940.00	635,740.00	456,800.00	0.00	130,800.00	48,140.00	0.00
2033	460,400.00	171,440.00	631,840.00	460,400.00	0.00	125,400.00	46,040.00	0.00
2034	458,400.00	168,940.00	627,340.00	458,400.00	0.00	125,000.00	43,940.00	0.00
2035	456,000.00	161,140.00	617,140.00	456,000.00	0.00	119,300.00	41,840.00	0.00
2036	458,200.00	158,340.00	616,540.00	458,200.00	0.00	118,600.00	39,740.00	0.00
2037	459,800.00	159,240.00	619,040.00	459,800.00	0.00	112,600.00	46,640.00	0.00
2038	455,800.00	116,600.00	572,400.00	455,800.00	0.00	116,600.00	0.00	0.00
2039	456,400.00	0.00	456,400.00	456,400.00	0.00	0.00	0.00	0.00
2040	456,400.00	0.00	456,400.00	456,400.00	0.00	0.00	0.00	0.00
2041	455,800.00	0.00	455,800.00	455,800.00	0.00	0.00	0.00	0.00
2042	459,600.00	0.00	459,600.00	459,600.00	0.00	0.00	0.00	0.00
2043	457,600.00	0.00	457,600.00	457,600.00	0.00	0.00	0.00	0.00

DEBT TABLE D

Outstanding GO Bonds and Bond Anticipation Notes

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	\$105,000
Street Improvement	10/13/2010	12/01/2022	2,800,000	545,000
Fire Truck Loan	12/27/2013	12/06/2023	470,575	300,026
Courthouse	06/24/2014	12/01/2043	8,315,000	7,425,000
Various Purpose Refunding	09/17/2014	12/01/2024	3,415,000	2,585,000
Street Improvement	10/08/2014	12/01/2031	204,200	177,300

Notes

General Purpose of Issue	Principal Amount	Due	Estimated		Original Notes	
			Bond Maturity Years	Interest Rate	Year of Issuance	Principal Amount
Storm Water	\$581,000	03/29/2018	20	6.00%	2006	\$9,400,000
Courthouse	1,620,000	12/21/2018	20	6.00	2015	1,800,000

Revenue Bonds

Issue	Date of Issuance	Final Maturity	Original Principal Amount	Outstanding Principal Amount
Water System Refunding	6/14/2012	2029	5,795,000	\$3,060,000
Wastewater System Refunding	6/14/2012	2029	3,680,000	4,830,000
Wastewater System Refunding	6/01/2016	2033	15,395,000	15,385,000

APPENDIX A

Comparative Cash-Basis Summary of General Fund Receipts and Expenditures for Fiscal Years 2013 Through 2017

	2013	2014 ^(a)	2015	2016	2017
Beginning Balance	\$3,872,349.38	\$4,560,806.41	\$4,787,915.57	\$4,529,797.90	\$5,020,857.99
RECEIPTS:					
Taxes	\$16,730,205.78	\$11,526,826.35	\$11,892,579.23	\$12,288,131.86	\$12,098,248.15
Intergovernmental Revenue	1,620,274.03	1,253,698.91	1,152,212.57	1,096,156.40	987,689.64
Charges for Services Licenses, Permits, Fines/Fees	704,815.53	783,296.63	770,620.00	754,876.39	762,125.73
Investment Earnings	3,285,050.75	3,718,005.72	3,656,837.93	3,549,452.60	3,427,674.11
Special Assessments	270,389.31	193,560.67	332,737.71	336,611.87	400,052.07
All Other Revenue	0.00	0.00	0.00	0.00	0.00
	<u>260,709.65</u>	<u>358,039.95</u>	<u>101,717.20</u>	<u>177,942.19</u>	<u>302,009.89</u>
TOTAL RECEIPTS	\$22,871,445.05	\$17,833,428.23	\$17,906,704.64	\$18,203,171.31	\$17,977,799.59
EXPENDITURES:					
Security of Persons and Property	\$15,243,412.83	\$332,671.21	\$195,947.15	\$203,690.00	\$217,287.19
Public Health and Welfare	284,960.00	284,960.00	284,960.00	294,933.60	294,933.60
Leisure Time Activity Community Environment	0.00	0.00	0.00	0.00	0.00
Transportation	113,226.35	97,429.00	112,078.78	90,749.66	49,845.03
General Government	0.00	0.00	0.00	0.00	0.00
Debt Service	5,190,284.71	6,028,637.72	5,920,763.75	5,831,751.22	5,994,990.72
Principal Retirement Interest and Fiscal Charges	552,975.75	443,847.73	498,307.78	458,022.40	485,744.84
	<u>78,680.38</u>	<u>40,684.14</u>	<u>13,212.47</u>	<u>7,354.78</u>	<u>6,203.78</u>
TOTAL EXPENDITURES	\$21,463,540.02	\$7,228,229.80	\$7,025,269.93	\$6,886,501.66	\$7,049,005.16
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 ^(b)	<u>(719,448.00)</u>	<u>(10,378,089.27)</u>	<u>(11,139,552.38)</u>	<u>(10,825,609.56)</u>	<u>(10,696,369.98)</u>
TOTAL OTHER FINANCING SOURCES	(\$719,448.00)	(\$10,378,089.27)	(\$11,139,552.38)	(\$10,825,609.56)	(\$10,696,369.98)
GRAND TOTAL EXPENDITURES AND OTHER FINANCING	\$22,182,988.02	\$17,606,317.07	\$18,164,822.31	\$17,712,111.22	\$17,745,375.14
ENDING BALANCE	\$4,560,806.41	\$4,787,915.57	\$4,529,797.90	\$5,020,857.99	\$5,253,282.44

(a) Police and Fire are funded by income tax levies. Beginning in Fiscal Year 2014, the Auditor of State required those moneys to be accounted for separately from the General Fund. As such, revenues for police and fire are no longer deposited into the General Fund and are placed in separate funds.

APPENDIX B

All-Funds Summary for 2017 (Cash Basis)

Fund	Beginning Balance	Receipts	Expenditures	Ending Balance
General Fund	\$5,020,857.99	\$17,977,799.59	\$17,745,375.14	\$5,253,282.44
Cemetery Fund	253,195.61	597,419.23	577,726.86	272,887.98
Department of Transportation	1,342,275.90	3,490,966.52	3,565,657.35	1,267,585.07
3 Mil Street Improv Levy	596,749.12	2,936,041.02	3,233,233.69	299,556.45
Parks and Recreation Fund	453,084.11	2,260,741.05	2,205,042.08	508,783.08
City Income Tax Fund	1,938,103.56	19,934,351.93	19,688,449.51	2,184,005.98
Special Improvement District	0.00	71,045.90	71,045.90	0.00
Lanc Public Transit Program	227,043.60	1,867,649.06	1,788,271.74	306,420.92
911 Tariff - Police	184,337.02	85,519.99	152,215.09	117,641.92
Edward Byrne Grant-Law Dir	427.56	0.00	0.00	427.56
Law Dir Violence Against Women	31,433.15	69,823.84	66,837.67	34,419.32
Lanc Community Dev Fund	22,985.23	158,649.15	139,963.49	41,670.89
Law Enf Block/Jag Grant\Police	0.00	0.00	0.00	0.00
Police & Fire Pension	24,350.02	449,256.60	439,334.70	34,271.92
Cops Hiring Program-Police	0.00	0.00	0.00	0.00
Community Corrections Fund	32,935.01	25,014.09	29,795.26	28,153.84
Public Sites & Open Spaces- Law	93,267.02	2,880.00	0.00	96,147.02
Indigent Driver Alcohol Treat Fund	177,126.62	46,300.69	8,371.35	215,055.96
Law Enforcement Education Fund	87,819.05	1,471.00	0.00	89,290.05
Muni Ct Judicial Computer Fund	34,665.67	51,681.31	46,643.29	39,703.69
Muni Ct Probation Fund	50,694.97	754,312.59	668,363.25	136,644.31
Muni Ct Clerk Computer Fund	169,215.31	202,360.85	229,626.38	141,949.78
Municipal Crt Special Projects	805,762.81	905,868.99	1,194,676.01	516,955.79
Muni Court Family Violence Fund	18,811.70	470.00	0.00	19,281.70
Muni Ct/Judicial/Drug Ct/ADAMH	59,184.87	352,363.86	317,351.63	94,197.10
FEMA Grant	0.00	107,499.45	107,499.45	0.00
Ohio Peace Officers Training	9,615.00	13,860.00	6,640.00	16,835.00
A R R A Stimulus Fund	0.00	0.00	0.00	0.00
Drug Use Prevention Program	2.15	17,947.40	17,947.40	2.15
Safe Route To School-Law Dir	2,779.56	0.00	0.00	2,779.56
SAFER Grant - Fire Dept	0.00	0.00	0.00	0.00
.15 Fire Levy	761,541.44	1,562,577.00	2,196,305.92	127,812.52
.45 Police & Fire Levy	413,615.58	14,481,967.43	14,581,390.36	314,192.65
DOJ Equitable Sharing	185.80	5,000.00	0.00	5,185.80
Community Dev Block Grant Fund	13,169.27	431,166.64	438,408.70	5,927.21
Home Loan Repay Revolving Acct	20,980.58	787.79	400.00	21,368.37
CDBG Loan Repay Revolving Acct	28,116.50	16,868.14	856.00	44,128.64
Comm. Dev Chip Home Program Fund	1,705.69	84,695.00	63,736.00	22,664.69
Home/Chip 2000 Comm Development	0.00	0.00	0.00	0.00
State Highway Fund	213,852.89	107,554.73	125,000.00	196,407.62
LDOT Improvement Fund	50,409.97	217,000.00	231,336.85	36,073.12
Parks Improvement Fund	132,782.85	104,644.62	129,225.81	108,201.66
General Improvement Fund	116,905.65	0.00	60,213.87	56,691.78
Improvement Fund	0.00	147,558.97	40,959.45	106,599.52
Capital Improvements	413,104.98	259,704.00	173,450.38	499,358.60
Fire Capital Improvement	0.00	0.00	0.00	0.00
Fire Impact-District One	632,539.82	362,797.60	271,048.44	724,288.98

Code Enf - Fire Ins Escrow	0.00	0.00	0.00	0.00
Ety Road TIF Project	59.59	0.66	0.00	60.25
Ety Rd TIF Service Fund	20,000.00	1,863,631.35	1,863,631.35	20,000.00
Flagstar Band Escrow	0.00	0.00	0.00	0.00
Columbian Construction Fund	0.00	0.00	0.00	0.00
Bond Retirement	0.00	1,074,927.50	1,074,927.50	0.00
Downtown Spec Assessment Debt	72,339.20	38,303.45	38,047.92	72,594.73
Gas Fund	9,903,314.83	13,351,191.07	13,371,142.65	9,883,363.25
Water Revenue Fund	2,527,238.01	8,892,222.49	8,447,110.15	2,972,350.35
Waste Water Revenue Fund	8,551,351.01	12,636,419.96	10,734,653.59	10,453,117.38
Sanitation Fund	2,563,001.45	3,996,252.91	4,362,808.42	2,196,445.94
Storm Water Sewer Fund	434,675.80	3,350,756.14	3,231,458.25	553,973.69
Stormwater Rebate	0.00	0.00	0.00	0.00
Stormwater Utility Reserve	816,356.66	1,813,499.45	1,770,811.85	859,044.26
Stormwater Construction	0.00	0.00	0.00	0.00
Stormwater R & I	750,000.00	0.00	0.00	750,000.00
Water Well Head Protection Fd	500,000.00	0.00	0.00	500,000.00
Waste Water Replace & Imp Fd	1,827,353.51	362,613.65	127,767.64	2,062,199.52
Water Replacement & Imp Fund	1,053,175.09	305,616.64	297,181.93	1,061,609.8
Water Construction Fund	1,784.60	19.35	0.00	1,803.95
Water Utility Reserve Fund	992,373.79	2,228,640.67	1,903,199.76	1,317,814.70
Water Rebate Fund	0.00	0.00	0.00	0.00
Waste Water Utility Reserve Fd	3,616,128.24	4,471,652.48	2,941,631.83	5,146,148.89
Waste Water Construction Fd	78,071.01	684.58	22,125.08	56,630.51
Waste Water Rebate Fund	0.00	0.00	0.00	0.00
Utilities Deposits Fund	159,429.66	192,567.03	186,475.00	165,521.69
Utilities Collection Fund	989,886.62	1,181,601.85	1,637,120.20	534,368.27
Fuel Depot Fund	57,300.00	722,259.62	683,264.64	96,294.98
Information Services	151,746.12	810,090.74	724,200.18	237,636.68
Health Insurance Management Fd	114,536.12	6,405,765.26	6,376,323.00	143,978.38
Street Repair Deposit Fund	7,000.00	0.00	7,000.00	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	(128,000.00)	28,950.00	0.00	(99,050.00)
Budgetary Agency Fd	22,722.69	1,008,563.86	1,012,305.77	18,980.78
Utility Agency Overpayments	190,208.20	33,560.62	42,160.99	181,607.83
Unclaimed Funds	17,669.03	10,936.95	1,973.07	26,632.91
Code Enf - Fire Ins Escrow	0.00	0.00	0.00	0.00
Parks Rental Deposits	0.00	0.00	0.00	0.00
Cemetery Perpetual Care Fund	1,076,345.56	24,539.00	110,000.00	990,884.56
Cemetery Pre Interment Fund	285,196.75	20,209.10	24,107.95	281,297.90
Treas Post Closure Tr/Landfill	537,256.49	0.00	0.00	537,256.49
Law Library Fund	0.00	57,103.50	57,103.50	0.00
Totals	\$51,657,153.66	\$135,046,195.91	\$131,660,931.24	\$55,042,418.33

APPENDIX C

**Audited Annual
Financial Report for Year Ended December 31, 2017**

The City's Fiscal Year 2017 Audited Basic Financial Statements were filed with the MSRB's EMMA website on August 28, 2018.

APPENDIX D

**Annual Transaction Report of the Trustee for Lancaster Port Authority
Gas Supply Revenue Refunding Bonds, Series 2014**

Filed separately on August 28, 2018.