

CITY OF LANCASTER, OHIO

Fairfield County, Ohio



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016



Dave Yost • Auditor of State

City Council
City of Lancaster
104 East Main Street
Lancaster, Ohio 43130

We have reviewed the *Independent Auditors' Report* of the City of Lancaster, Fairfield County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2016 through December 31, 2016. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Lancaster is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

August 17, 2017

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016

Prepared by the City Auditor's Office

Patricia Nettles
City Auditor



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FAIRFIELD COUNTY, OHIO

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INTRODUCTORY SECTION





CITY OF LANCASTER, OHIO

OFFICE OF THE AUDITOR
104 E. Main St. Room 107
Lancaster, Ohio 43130
(740) 687-6611

Patricia Nettles, Auditor

June 29, 2017

To the Citizens and
Elected Officials of
Lancaster, Ohio:

I am pleased to present to you the Comprehensive Annual Financial Report (CAFR), of the City of Lancaster, Ohio, for the year ended December 31, 2016.

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

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

The Reporting Entity

The City of Lancaster is a statutory city operating under the provisions of the Ohio Revised Code which provides for an elected Mayor, Auditor, Treasurer, Law Director, President of Council, Council (six elected from wards and three at-large members), two Judges of the Municipal Court and a Municipal Court Clerk.

Lancaster is a full-service City, and in order to provide necessary services to its citizens, the City of Lancaster is divided into departments. Services provided include full time police and fire protection, health services and clinic, park and recreational activities, city owned gas company, solid waste disposal, sewage collections and treatment, water treatment and distribution, street maintenance and repair and traffic control. These activities are provided by the City Council through the budgetary process and other elected officials through administrative and managerial policies and procedures and by the statutes of the State of Ohio.

The City's reporting entity includes the financial activities of the Lancaster Port Authority, a blended component unit.

***Letter of Transmittal
For the Year Ended December 31, 2016***

The City participates in the following Jointly Governed Organizations: Fairfield Metropolitan Housing Authority, Lancaster-Fairfield Community Action Agency, Fairfield Regional Planning Commission, Fairfield County Family, Adult and Children First, Fairfield County Multi-System Youth Committee, Community Corrections Board, and Fairfield-Hocking Major Crimes Investigation Unit.

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

A complete discussion of the City's reporting entity is provided in Note 1 of the Notes to the Basic Financial Statements.

City Overview

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

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

Items of Local Interest

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

Culture and Education

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

***Letter of Transmittal
For the Year Ended December 31, 2016***

ECONOMIC CONDITION AND OUTLOOK

The City of Lancaster continues to lead the county in investment. Lancaster City Schools completed five new elementary buildings in 2016 and will begin construction of two middle schools in 2017. Fairfield Medical Center announced in mid-2016 that a new twenty-five million dollar off campus facility will begin construction in 2017. It will have a Health and Wellness center housing a second emergency department, wellness facility, urgent care and testing labs on North Memorial Drive. Lancaster Department of Transportation continues to improve road surfaces in its' fourth year of a (\$10M) transportation improvement plan. The Lancaster downtown has thrived in building successes with the completion of the Municipal Courts building (\$11M), Fairfield County Safety Facility (\$32M), the renovation of the Mithoff Building (\$2.5M), the renovation of the "Mill" building (\$1M) and numerous other projects including a (\$10M) new retailer Kroger building and an expected east side retailer of similar scope.

Lancaster also completed a 50,400 square foot building in Rock Mill Industrial Park on 6.6 acres of land with pre-cast concrete walls and 28 foot ceilings. The building is expandable to 75,000 square feet if needed. The completion of the building drove industrial site visits and leads up dramatically. In 2015, thirty-five leads generated five site visits and in 2016, with the building completed mid-year, Lancaster saw forty-four leads with fifteen site visits. In 2017, effective May 1st, the City has responded to over twenty leads with eight site visits including visits of firms from Japan, China, Western Europe, Texas, and regional prospects. The City is also preparing for robust manufacturing opportunities by rezoning the "Ruble" farm to Industrial Heavy zoning. The Ruble site is one-hundred-twenty-two acres located adjacent to four-lane U.S. 33, fully served with utility infrastructure. A 15 year/100% tax abatement is available for improvements on the property. It is the largest shovel-ready industrial site in the county. The City is also increasing manufacturing opportunities with Certified Sites. Lancaster was one of the very first cities in Ohio to have two certified sites: Rock Mill Industrial Park is Austin-Ady Certified and the Lancaster Colony 106 acre site is AEP Certified. In 2017, Ohio rolled out its own certification program called Ohio Onsite. Lancaster has submitted Rock Mill, Lancaster Colony, and the Ruble property into this certification process.

Long-term Financial Planning:

In May of 2013, the City of Lancaster citizens passed a ten-year 3 mill property tax levy to support the City's ten-year street improvement plan. The annual levy proceeds (\$2,000,000) along with STP (Surface Transportation Program) funds will work together to help the City maintain the street and bridge repairs/replacement that are on the ten-year street improvement plan. During the next couple of years a plan will be developed to renew the street improvement levy. The City completed an advance refunding on its 2008 Waste Water Revenue Bond, resulting in a savings of \$1,200,000 over the life of the bond. All City debt including Enterprise Departments are always being reviewed for reduced cost opportunities. The City is in the initial stages of developing a long term Capital Expenditure Plan. The City currently has a 1.75% City Income Tax. A review of future General Fund needs is being evaluated that might result in the need to place an income tax increase on the ballot within the next couple of years.

***Letter of Transmittal
For the Year Ended December 31, 2016***

MAJOR INITIATIVES

Lancaster is one of five “Large Cities” outside of the designated Metropolitan Planning Organizations areas that the Ohio Department of Transportation provides an annual apportionment of federal surface transportation program funds (STP). The use of those funds is limited to Federal-Aid Off-System streets, but those eligible streets are the City’s major streets. The funding provides 80 percent of the project costs with the City being responsible for the local 20 percent match. Recent changes to this program have changed the Federal and Local distribution to be a 95/5 split. The City has programmed the use of federal surface transportation program (STP) funds for various street rehabilitation projects.

During the 2016 calendar year several Federal Aid and State Aid projects were in the design phase for a 2017 build. The first project (FAI CR 50 07.03 – North Ewing Street) consists of rehabilitating approximately 0.5 miles of North Ewing Street, which is along the Fairfield Medical Center (FMC) frontage. This critical piece of infrastructure serves as the corridor for all emergency room runs to FMC. Design was completed in the early fall of 2016 and was bid out near the end of 2016. Construction is anticipated to start in the spring of 2017. The North Ewing Street project is being funded through the City’s STP dollars and local match funding (3 Mil Levy).

Another important roadway rehabilitation project is the South Ewing Street project. This roadway rehabilitation project is an extension of the North Ewing Street project; however, a different funding source was used to complete this project. The Ohio Public Works Commission, ODOT Jobs and Commerce, and Local funds are being utilized to complete this project. South Ewing Street has the highest average daily traffic of any of our City’s “local” streets (7,000 +/-). This corridor also serves as the main emergency access for township fire departments coming from the south side of Fairfield County.

The City of Lancaster filed for funding with ODOT via the Municipal Bridge Program in 2008. The project was designed in-house. Stage #3 plans were finished in late 2014 and went out to bid in 2015. This project was awarded to BUDS Inc. in November of 2015. Construction began on the bridge replacement project in the summer of 2016. The project was completed on-time and opened to traffic prior to September 5, 2016.

A citizens group spearheaded a successful street levy proposal that will provide \$2M per year for the next ten years for street projects in the City. The City began receiving the revenues from this 3.0 mil property tax in 2014. The street levy is much needed since there were limited funds for street maintenance programs, no funds for a local street paving programs and no funds to provide local match monies to outside grants; the City was using outside funding sources to provide match to fund needed projects.

2016 was the third year of construction for the 3.0 mil street levy. The 2016 paving program included Forrest Rose, Wheeling Street, East Chestnut, Skyline Drive, Arlington Ave., and Hillcrest Drive. The work included asphalt milling, resurfacing, ADA upgrades, curb replacement, pavement markings, and utility casting adjustments.

***Letter of Transmittal
For the Year Ended December 31, 2016***

FINANCIAL INFORMATION

Internal Control, Budgetary Control and the Accounting System

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

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

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

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

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

The Auditor's Office is responsible for the auditing and analysis of all purchase orders of the City. Personnel of the Auditor's Office carefully review purchase orders to help ensure the availability of monies in the proper funds and accounts prior to the certification and subsequent payment of approved invoices. The City utilizes a fully-automated accounting system as well as, an automated system of controls for capital asset accounting and payroll. These systems, coupled with the review and examination performed by the City Auditor's Office, help ensure that the financial information generated is both accurate and reliable.

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

***Letter of Transmittal
For the Year Ended December 31, 2016***

OTHER INFORMATION

Independent Audit

This report includes an unmodified audit report regarding the City's financial statements. The audit was conducted by Clark Schaefer Hackett, which was selected by the Auditor of State's Office. The Auditor's Report on the basic financial statements is included in the financial section of this report. The Auditor's report relating to the Federal Single Audit Act of 1996 is issued separately.

Awards

The Government Finance Officers Association (GFOA) awarded a Certificate for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ending December 31, 2015. This was the twenty-ninth year the City has won this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. I believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement program's requirements, and I am again submitting it to the GFOA to determine its eligibility for another certificate.

Public Disclosure

The publication of this Comprehensive Annual Financial Report is indicative of the City's commitment to provide significantly enhanced financial information and accountability to its citizens. In addition to the citizens of Lancaster, the recipients of this report include city, state and federal officials, schools, libraries, newspapers, investment banking firms, banks and rating agencies. The report is made available to any person or organization requesting it. The extensive effort to prepare and distribute this report is indicative of the continued efforts of the City to improve its overall financial accounting, management and reporting capabilities.

Acknowledgments

A special thanks is extended to my staff Amy Hamilton, Jody Sheets, Paula Wahl, and Anitra Scott, Deputy Auditors, for their assistance in compiling the cash reports and other data. I would like to thank Donald J. Schonhardt & Associates, Inc. for their professional guidance and many hours of hard work that went into preparing this report. The cooperation of many people is required to produce a quality product such as this CAFR.

Sincerely,



Patricia Nettles
City Auditor



CITY OF LANCASTER, OHIO

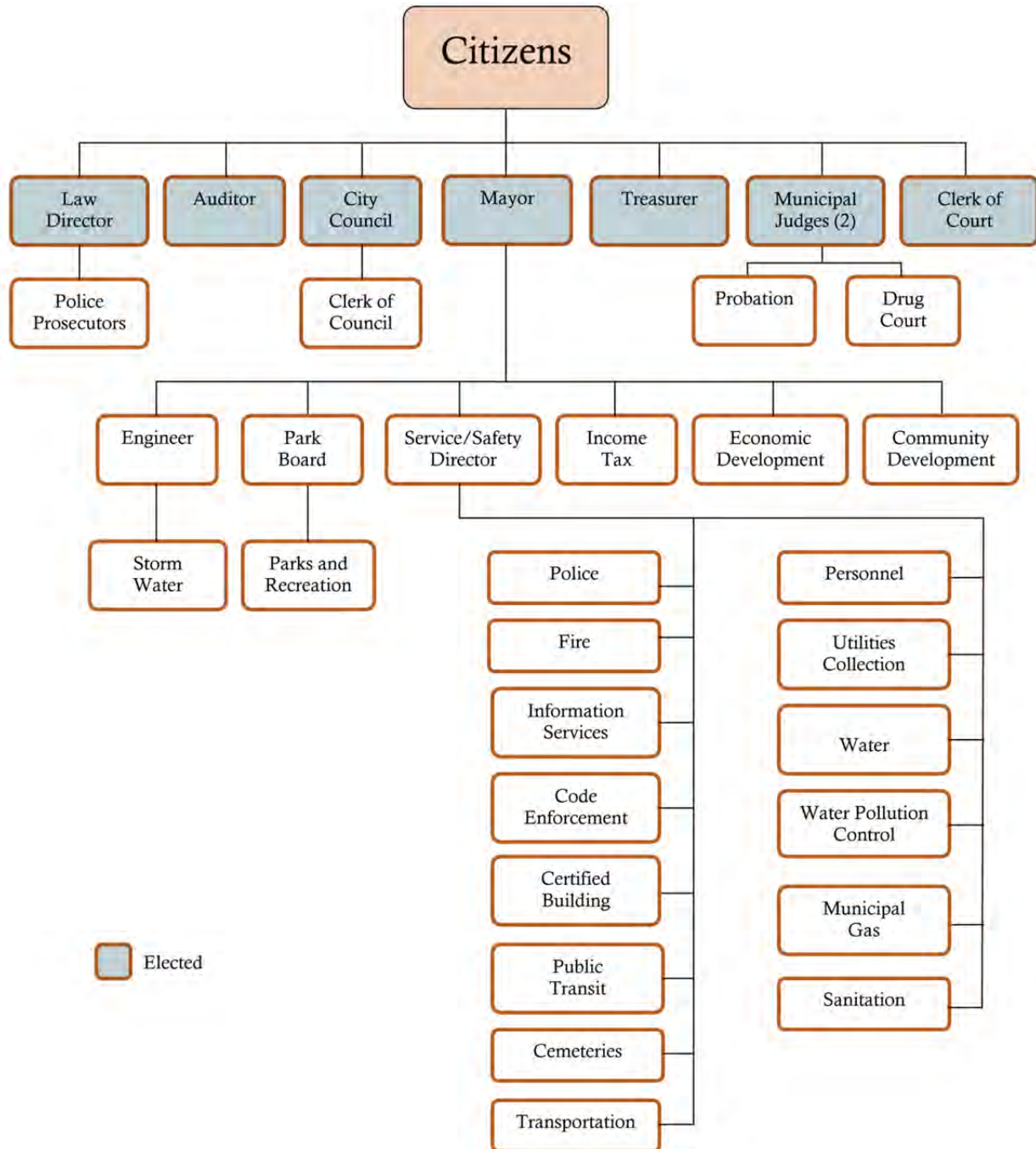
***List of Principal Officials
For the Year Ended December 31, 2016***

<u><i>Name</i></u>	<u><i>Title</i></u>
<i>Executive Officials</i>	
Brian Kuhn*	Mayor
Patricia Nettles	Auditor
Randall Ullom	Law Director
Robert Wolfinger	Treasurer
<i>Legislative Officials</i>	
Robert Hedges	President of Council
Jon Hale	Council-at-Large
Gina Bentle	Council-at-Large
David Uhl	Council-at-Large
Melody Bobbitt	Council - 1st Ward
Mike Fracassa	Council - 2nd Ward
Randy Groff	Council - 3rd Ward
Tom Stoughton	Council - 4th Ward
Harry Hiles	Council - 5th Ward
Becky Tener	Council - 6th Ward
<i>Administrative Officials</i>	
Paul Martin	Service/Safety Director
Andrew Yost	Income Tax Commissioner
Mitch Noland	City Engineer

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

*As of February 11, 2017, David Smith was appointed Mayor.

**City Organizational Chart
For the Year Ended December 31, 2016**





Government Finance Officers Association

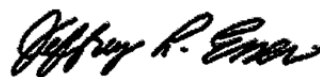
**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Lancaster
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015



Executive Director/CEO

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

City Council
City of Lancaster
104 East Main Street
Lancaster, Ohio 43130

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster, Ohio (the "City") as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund and the .45 Police and Fire Levy Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (pages 5 – 15) and schedules of proportionate share of net pension liability and pension contributions (pages 97 – 98) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 29, 2017



The discussion and analysis of the City of Lancaster's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2016. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2016 are as follows:

- ❑ In total, net position increased \$7,798,317. Net position of governmental activities decreased \$171,623 which represents a 0.5% decrease from 2015. Net position of business-type activities increased \$7,960,657 from 2015.
- ❑ General revenues accounted for \$27,469,685 in revenue or 31.1% of all revenues. Program specific revenues in the form of charges for services, and grants and contributions accounted for \$60,731,643 in revenues or 68.9% of total revenues of \$88,201,328.
- ❑ The City had \$40,146,945 in expenses related to governmental activities; only \$12,514,920 of these expenses were offset by program specific charges for services, grants or contributions.
- ❑ Among major funds, the general fund had \$18,861,693 in revenues and other financing sources and \$18,083,830 in expenditures and other financing uses. The general fund's fund balance increased from \$7,230,152 to \$8,054,254.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

These statements are as follows:

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The City's major funds are the General Fund and the .45 Police and Fire Levy Fund. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a summary of the City's net position for 2016 compared to 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$33,095,837	\$35,952,804	\$474,707,031	\$517,243,839	\$507,802,868	\$553,196,643
Capital assets, Net	59,549,309	56,848,567	125,108,432	123,648,714	184,657,741	180,497,281
Total assets	92,645,146	92,801,371	599,815,463	640,892,553	692,460,609	733,693,924
Deferred outflows of resources	10,824,738	4,366,314	10,365,722	11,404,881	21,190,460	15,771,195
Long-term debt outstanding	18,947,177	19,953,732	365,358,526	381,095,856	384,305,703	401,049,588
Net Pension Liability	39,912,001	30,921,210	8,478,759	6,063,637	48,390,760	36,984,847
Other liabilities	5,362,410	6,990,480	8,104,563	13,312,109	13,466,973	20,302,589
Total liabilities	64,221,588	57,865,422	381,941,848	400,471,602	446,163,436	458,337,024
Deferred inflows of resources	4,763,187	4,645,531	219,954,729	251,511,164	224,717,916	256,156,695
Net position:						
Net investment in capital assets	44,062,621	41,576,482	59,487,303	54,167,749	103,549,924	95,744,231
Restricted	10,154,360	11,077,774	2,342,642	2,469,078	12,497,002	13,546,852
Unrestricted (Deficit)	(19,731,872)	(17,997,524)	(53,545,337)	(56,322,159)	(73,277,209)	(74,319,683)
Total net position	\$34,485,109	\$34,656,732	\$8,284,608	\$314,668	\$42,769,717	\$34,971,400

The implementation of GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27," in 2015, significantly revised accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under GASB 68, the net pension liability equals the City's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the City's statements are prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's change in net pension liability not accounted for as deferred inflows/outflows.

CITY OF LANCASTER, OHIO

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Changes in Net Position –The following table shows the changes in net position for 2016 compared to 2015:

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues:						
Charges for Services and Sales	\$6,953,860	\$7,141,689	\$45,486,390	\$46,189,364	\$52,440,250	\$53,331,053
Operating Grants, Contributions and Interest	4,697,405	5,063,305	1,647,722	203,559	6,345,127	5,266,864
Capital Grants and Contributions	863,655	1,223,675	1,082,611	1,248,639	1,946,266	2,472,314
Total Program Revenues	12,514,920	13,428,669	48,216,723	47,641,562	60,731,643	61,070,231
General Revenues:						
Property Taxes	4,572,076	4,564,675	0	0	4,572,076	4,564,675
Income Taxes	20,293,739	19,459,814	0	0	20,293,739	19,459,814
Other Local Taxes	621,499	644,847	0	0	621,499	644,847
Intergovernmental Revenues						
not Restricted to Specific Programs	1,261,622	1,519,113	0	0	1,261,622	1,519,113
Investment Earnings	130,686	302,372	0	0	130,686	302,372
Miscellaneous	590,063	427,219	0	0	590,063	427,219
Total General Revenues	27,469,685	26,918,040	0	0	27,469,685	26,918,040
Total Revenues	39,984,605	40,346,709	48,216,723	47,641,562	88,201,328	87,988,271
Program Expenses						
Security of Persons and Property	19,853,945	17,702,358	0	0	19,853,945	17,702,358
Public Health and Welfare Services	855,731	1,232,576	0	0	855,731	1,232,576
Leisure Time Activities	2,336,363	2,135,524	0	0	2,336,363	2,135,524
Community Environment	995,091	725,687	0	0	995,091	725,687
Transportation	6,887,838	6,477,311	0	0	6,887,838	6,477,311
General Government	8,712,430	7,927,531	0	0	8,712,430	7,927,531
Interest and Fiscal Charges	505,547	517,344	0	0	505,547	517,344
Gas	0	0	11,271,767	13,583,412	11,271,767	13,583,412
Water	0	0	8,100,342	8,163,396	8,100,342	8,163,396
Water Pollution	0	0	9,565,843	9,087,256	9,565,843	9,087,256
Sanitation	0	0	3,274,150	3,226,109	3,274,150	3,226,109
Storm Water	0	0	1,778,616	1,974,803	1,778,616	1,974,803
Port Authority	0	0	6,265,348	6,638,568	6,265,348	6,638,568
Total Expenses	40,146,945	36,718,331	40,256,066	42,673,544	80,403,011	79,391,875
Change in Net Position before transfers	(162,340)	3,628,378	7,960,657	4,968,018	7,798,317	8,596,396
Transfers	(9,283)	0	9,283	0	0	0
Total Change in Net Position	(171,623)	3,628,378	7,969,940	4,968,018	7,798,317	8,596,396
Beginning Net Position	34,656,732	31,028,354	314,668	(4,653,350)	34,971,400	26,375,004
Ending Net Position	\$34,485,109	\$34,656,732	\$8,284,608	\$314,668	\$42,769,717	\$34,971,400

CITY OF LANCASTER, OHIO

**Management's Discussion and Analysis
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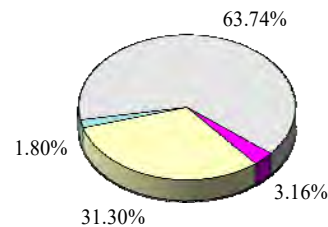
Governmental Activities

Net position of the City's governmental activities decreased by \$171,623. This decrease is due to increases in expenses in the Police and Fire Departments' salaries and benefits. These departments went to full staffing levels.

The City receives an income tax, which is based on 1.75% of all salaries, wages, commissions and other compensation and on net profits earned from those working in the City.

Income taxes and property taxes made up 50.8% and 11.4% respectively of revenues for governmental activities for the City in 2016. The City's reliance upon tax revenues is demonstrated by the following graph indicating 63.74% of total revenues from general tax revenues:

Revenue Sources	2016	Percent of Total
General Tax Revenues	\$25,487,314	63.74%
Unrestricted Intergovernmental	1,261,622	3.16%
Program Revenues	12,514,920	31.30%
General Other	720,749	1.80%
Total Revenue	\$39,984,605	100.00%



Business-Type Activities

Net position of the business type activities increased by \$7,969,940. Several factors increased the net position of the utility funds. These include the decrease in natural gas prices, gains on derivative instruments, and increase in water and wastewater rates during 2016.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$16,242,862, which is a decrease from last year's balance of \$17,122,859. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2016 and 2015:

	Fund Balance December 31, 2016	Fund Balance December 31, 2015	Increase (Decrease)
General	\$8,054,254	\$7,230,152	\$824,102
.45 Police and Fire Levy	544,877	553,033	(8,156)
Other Governmental	7,643,731	9,339,674	(1,695,943)
Total	\$16,242,862	\$17,122,859	(\$879,997)

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

***Management's Discussion and Analysis
For the Year Ended December 31, 2016***

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	2016 <u>Revenues</u>	2015 <u>Revenues</u>	Increase <u>(Decrease)</u>
Taxes	\$13,694,288	\$12,819,481	\$874,807
Intergovernmental Revenue	1,034,136	1,206,235	(172,099)
Charges for Services	3,106,796	3,171,985	(65,189)
Licenses, Permits, and Fees	20,880	22,237	(1,357)
Investment Earnings	133,854	270,545	(136,691)
Fines and Forfeitures	694,666	770,574	(75,908)
All Other Revenue	133,906	40,328	93,578
Total	<u>\$18,818,526</u>	<u>\$18,301,385</u>	<u>\$517,141</u>

General Fund revenues in 2016 increased approximately 2.8% compared to revenues in 2015. Taxes increased due to additional income tax revenue collected for the work done to complete the local elementary schools as well as construction on a new County Jail. This was somewhat offset by the decrease in Intergovernmental Revenue due to decreases in Local Government funding from the State and the elimination of the Estate Tax.

	2016 <u>Expenditures</u>	2015 <u>Expenditures</u>	Increase <u>(Decrease)</u>
Security of Persons and Property	\$256,819	\$268,024	(\$11,205)
Public Health and Welfare Services	299,567	287,960	11,607
Community Environment	146,269	167,943	(21,674)
General Government	6,386,887	5,992,653	394,234
Debt Service:			
Principal Retirement	63,724	93,054	(29,330)
Interest and Fiscal Charges	7,208	13,212	(6,004)
Total	<u>\$7,160,474</u>	<u>\$6,822,846</u>	<u>\$337,628</u>

General Fund expenditures increased by \$337,628 or 4.9% compared to the prior year. General Government increased because health insurance premiums, Income Tax refunds, Building Department contract labor, City Hall contract labor, and Personnel Department salary increased in 2016.

.45 Police and Fire Levy Fund – The decrease in fund balance is not significant.

Proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the course of 2016, the City amended its General Fund budget several times. The final budget basis expenditures of \$21,181,244 increased \$459,956 from the original budget. The increase was due to in part to an increase in transfers out to the .45 Police and Fire Fund and in part to increases in Building Department's contract labor, Personnel Department salary, and City Hall contract labor. The positive variance with the final budget of \$2.0 million was partly the result of the City budgeting for transfers out in 2016 that did not occur and for fuel costs being less than budgeted.

For the General Fund, final budget basis revenue of \$18,254,253 did not change from the original budget estimates. Overall there was a positive variance with final budgeted revenues this was mostly because of additional income taxes.

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**Management's Discussion and Analysis
For the Year Ended December 31, 2016**

Unaudited

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2016 the City had \$184,657,741 net of accumulated depreciation invested in buildings, equipment and vehicles. Of this total, \$59,549,309 was related to governmental activities and \$125,108,432 to the business-type activities. The following table shows 2016 and 2015 balances:

	Governmental Activities		Increase (Decrease)
	2016	2015	
Land	\$18,190,577	\$18,055,298	\$135,279
Construction In Progress	158,171	9,273,293	(9,115,122)
Buildings	18,036,821	7,551,586	10,485,235
Improvements Other than Buildings	7,644,796	7,624,876	19,920
Machinery and Equipment	6,014,825	5,399,398	615,427
Vehicles	7,738,743	7,353,136	385,607
Infrastructure	33,381,227	31,367,407	2,013,820
Less: Accumulated Depreciation	(31,615,851)	(29,776,427)	(1,839,424)
Totals	<u>\$59,549,309</u>	<u>\$56,848,567</u>	<u>\$2,700,742</u>

The primary increases occurred as a result of major street improvements and the construction improvements to the Columbian Building. The City also purchased a Fire Medic Unit, police cruisers, and three radio console units for the Police Department in 2016.

	Business-Type Activities		Increase (Decrease)
	2016	2015	
Land	\$3,527,623	\$3,527,623	\$0
Construction in Progress	463,671	6,977,365	(6,513,694)
Buildings	83,245,555	81,018,919	2,226,636
Improvements	34,760,536	34,776,146	(15,610)
Machinery and Equipment	10,688,857	10,616,217	72,640
Vehicles	5,688,165	5,239,488	448,677
Infrastructure	97,392,160	86,473,977	10,918,183
Less: Accumulated Depreciation	(110,658,135)	(104,981,021)	(5,677,114)
Totals	<u>\$125,108,432</u>	<u>\$123,648,714</u>	<u>\$1,459,718</u>

Business type capital assets increased by \$1,459,718. The additions to infrastructure include completed water pollution, and storm water projects, the construction of gas lines and subdivision infrastructure that was contributed to the City. Construction in Progress decreased due to the completion of these projects. Additional information on the City's capital assets can be found in Note 10.

**Management's Discussion and Analysis
For the Year Ended December 31, 2016**

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Debt

At December 31, 2016, the City had \$11,541,185 in general obligation bonds outstanding, \$845,000 due within one year; \$321,226,153 in revenue bonds outstanding, \$15,330,000 due within one year; and \$39,904,012 in Ohio Water Development Authority Loans outstanding, \$3,607,620 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Governmental Activities:		
General Obligation Bond Payable	\$11,541,185	\$12,369,244
Special Assessment Bond		
with Government Commitment	128,000	150,000
Housing and Urban Development Loan	40,000	130,000
Ohio Public Works Commission Loan	240,859	33,474
Ohio Water Development Authority Loans	313,264	329,941
Installment Loan Payable	739,482	1,053,040
Net Pension Liability	39,912,001	30,921,210
Compensated Absences	4,934,948	4,833,527
Capital Leases	780,396	737,330
Pollution Remediation Obligation	229,043	317,176
Total Governmental Activities	<u>\$58,859,178</u>	<u>\$50,874,942</u>
Business-Type Activities:		
Ohio Water Development Authority Loans	\$39,590,748	\$43,497,740
Revenue Bonds Payable	321,226,153	334,188,997
Installment Loan Payable	1,050,000	0
Net Pension Liability	8,478,759	6,063,637
Landfill Postclosure Care Liability	1,048,368	1,122,169
Capital Leases	108,017	165,790
Compensated Absences	2,335,240	2,121,160
Total Business-Type Activities	<u>\$373,837,285</u>	<u>\$387,159,493</u>
Totals	<u><u>\$432,696,463</u></u>	<u><u>\$438,034,435</u></u>

Under current state statutes, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2016, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 14.

ECONOMIC FACTORS

Lancaster is home to a diversified community of businesses. The more than 150 manufacturing operations in the area are supported by an equal number of service operations that provide a comprehensive network of support. Industrial activity continues to grow at a steady pace. The Lancaster Port Authority completed a brownfield redevelopment project the project has completed a four thousand square foot light industrial building that is available for lease or sale to prospective tenants. A thirty eight million dollar correctional facility began construction in 2016 with a completion date in mid-2017. The Lancaster City Schools five new elementary building project was completed in 2016. Lancaster and Fairfield County have experienced a significant drop in unemployment numbers during the past year.

REQUESTS FOR INFORMATION

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



CITY OF LANCASTER, OHIO

**Statement of Net Position
December 31, 2016**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 5,257,420	\$ 2,671,626	\$ 7,929,046
Cash and Cash Equivalents with Fiscal Agent	2,649,287	0	2,649,287
Investments	10,810,992	32,783,358	43,594,350
Receivables:			
Taxes	9,753,481	0	9,753,481
Accounts	382,275	5,792,294	6,174,569
Intergovernmental	2,585,877	0	2,585,877
Interest	88,327	50,427	138,754
Special Assessments	180,867	0	180,867
Loans	1,626,554	0	1,626,554
Internal Balances	(823,135)	823,135	0
Inventory of Supplies	513,284	3,359,601	3,872,885
Prepaid Items	65,461	62,848	128,309
Prepaid Gas Supply - Current	0	12,941,099	12,941,099
Prepaid Gas Supply	0	186,941,504	186,941,504
Land Held for Resale	0	140,400	140,400
Fair Value of Derivative Instruments	0	219,790,903	219,790,903
Restricted Assets:			
Cash and Cash Equivalents	0	8,812,579	8,812,579
Cash and Cash Equivalents with Fiscal Agent	5,147	0	5,147
Investments	0	537,257	537,257
Capital Assets Not Being Depreciated	18,348,748	3,991,294	22,340,042
Capital Assets Being Depreciated, Net	41,200,561	121,117,138	162,317,699
Total Assets	92,645,146	599,815,463	692,460,609
Deferred Outflows of Resources:			
Deferred Loss on Early Retirement of Debt	107,913	2,029,889	2,137,802
Pension	10,716,825	3,225,463	13,942,288
Deferred Outflow from Derivative Instruments	0	5,110,370	5,110,370
Total Deferred Outflows of Resources	10,824,738	10,365,722	21,190,460
Liabilities:			
Accounts Payable	650,730	868,270	1,519,000
Accrued Wages and Benefits	636,082	229,981	866,063
Intergovernmental Payable	170,289	12,168	182,457
Claims Payable	502,122	0	502,122
Retainage Payable	107,385	79,183	186,568
Due to Others, Payable from Restricted Assets	0	159,429	159,429
Accrued Interest Payable	38,041	1,014,162	1,052,203
General Obligation Notes Payable	3,257,761	631,000	3,888,761
Fair Value of Derivative Instruments	0	5,110,370	5,110,370
Long Term Liabilities:			
Due within one year	2,090,951	19,620,016	21,710,967
Due in More than One Year:			
Net Pension Liability	39,912,001	8,478,759	48,390,760
Other Amounts Due in More than One Year	16,856,226	345,738,510	362,594,736
Total Liabilities	64,221,588	381,941,848	446,163,436

CITY OF LANCASTER, OHIO

	Governmental Activities	Business-Type Activities	Total
Deferred Inflows of Resources:			
Property Taxes	4,486,107	0	4,486,107
Pension	277,080	163,826	440,906
Deferred Inflow from Derivative Instruments	0	219,790,903	219,790,903
Total Deferred Inflows of Resources	4,763,187	219,954,729	224,717,916
Net Position:			
Net Investment in Capital Assets	44,062,621	59,487,303	103,549,924
Restricted For:			
Streets and Highways	3,523,317	0	3,523,317
Community Development	2,348,716	0	2,348,716
Security of Persons and Property	2,507,261	0	2,507,261
Public Health and Welfare	483,093	0	483,093
Debt Service	215,628	2,342,642	2,558,270
Perpetual Care, Nonexpendable	1,076,345	0	1,076,345
Unrestricted (Deficit)	(19,731,872)	(53,545,337)	(73,277,209)
Total Net Position	\$ 34,485,109	\$ 8,284,608	\$ 42,769,717

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Activities
For the Year Ended December 31, 2016**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 19,853,945	\$ 2,214,724	\$ 233,189	\$ 0
Public Health and Welfare Services	855,731	216,640	53,945	0
Leisure Time Activities	2,336,363	369,206	40,000	0
Community Environment	995,091	79,245	810,553	0
Transportation	6,887,838	1,289,483	2,984,669	863,655
General Government	8,712,430	2,784,562	575,049	0
Interest and Fiscal Charges	505,547	0	0	0
Total Governmental Activities	40,146,945	6,953,860	4,697,405	863,655
Business-Type Activities:				
Gas	11,271,767	12,419,202	0	0
Water	8,100,342	8,645,087	(1,951)	209,595
Water Pollution	9,565,843	12,175,681	10,125	304,103
Sanitation	3,274,150	3,914,303	1,979	0
Storm Water	1,778,616	3,041,305	0	568,913
Port Authority	6,265,348	5,290,812	1,637,569	0
Total Business-Type Activities	40,256,066	45,486,390	1,647,722	1,082,611
Totals	\$ 80,403,011	\$ 52,440,250	\$ 6,345,127	\$ 1,946,266

General Revenues:

- Property Taxes Levied for:
 - General Purposes
 - Special Purposes
 - Debt Service
 - Capital Outlay
- Income Taxes
- Other Local Taxes
- Intergovernmental Revenues not Restricted to Specific Programs
- Investment Earnings
- Miscellaneous
- Transfers
- Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year
Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (17,406,032)	\$ 0	\$ (17,406,032)
(585,146)	0	(585,146)
(1,927,157)	0	(1,927,157)
(105,293)	0	(105,293)
(1,750,031)	0	(1,750,031)
(5,352,819)	0	(5,352,819)
(505,547)	0	(505,547)
<u>(27,632,025)</u>	<u>0</u>	<u>(27,632,025)</u>
0	1,147,435	1,147,435
0	752,389	752,389
0	2,924,066	2,924,066
0	642,132	642,132
0	1,831,602	1,831,602
0	663,033	663,033
<u>0</u>	<u>7,960,657</u>	<u>7,960,657</u>
<u>(27,632,025)</u>	<u>7,960,657</u>	<u>(19,671,368)</u>
1,746,676	0	1,746,676
2,247,405	0	2,247,405
330,869	0	330,869
247,126	0	247,126
20,293,739	0	20,293,739
621,499	0	621,499
1,261,622	0	1,261,622
130,686	0	130,686
590,063	0	590,063
(9,283)	9,283	0
<u>27,460,402</u>	<u>9,283</u>	<u>27,469,685</u>
(171,623)	7,969,940	7,798,317
<u>34,656,732</u>	<u>314,668</u>	<u>34,971,400</u>
<u>\$ 34,485,109</u>	<u>\$ 8,284,608</u>	<u>\$ 42,769,717</u>

CITY OF LANCASTER, OHIO

**Balance Sheet
Governmental Funds
December 31, 2016**

	General	.45 Police and Fire Levy	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 232,219	\$ 413,616	\$ 4,229,443	\$ 4,875,278
Investments	6,531,818	0	4,279,174	10,810,992
Receivables:				
Taxes	4,603,454	1,305,312	3,844,715	9,753,481
Accounts	240,813	0	120,613	361,426
Intergovernmental	496,888	0	2,088,989	2,585,877
Interest	83,693	0	4,634	88,327
Special Assessments	0	0	180,867	180,867
Loans	0	0	1,626,554	1,626,554
Inventory of Supplies	205,738	0	277,393	483,131
Prepaid Items	26,667	24,762	14,032	65,461
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	5,147	0	0	5,147
Total Assets	\$ 12,426,437	\$ 1,743,690	\$ 16,666,414	\$ 30,836,541
Liabilities:				
Accounts Payable	\$ 201,242	\$ 86,313	\$ 276,238	\$ 563,793
Accrued Wages and Benefits Payable	108,477	362,577	151,562	622,616
Intergovernmental Payable	170,289	0	0	170,289
Retainage Payable	0	0	107,385	107,385
Accrued Interest Payable	0	0	444	444
General Obligation Notes Payable	0	0	3,257,761	3,257,761
Advances from Other Funds	0	0	186,600	186,600
Total Liabilities	480,008	448,890	3,979,990	4,908,888
Deferred Inflows of Resources:				
Property Taxes	1,734,000	0	2,752,107	4,486,107
Unavailable Revenue	2,158,175	749,923	2,290,586	5,198,684
Total Deferred Inflows of Resources	3,892,175	749,923	5,042,693	9,684,791
Fund Balances:				
Nonspendable	232,405	24,762	1,367,770	1,624,937
Restricted	0	520,115	7,665,267	8,185,382
Committed	0	0	2,041,240	2,041,240
Assigned	1,303,159	0	0	1,303,159
Unassigned	6,518,690	0	(3,430,546)	3,088,144
Total Fund Balances	8,054,254	544,877	7,643,731	16,242,862
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 12,426,437	\$ 1,743,690	\$ 16,666,414	\$ 30,836,541

See accompanying notes to the basic financial statements

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2016***

Total Governmental Fund Balances		\$ 16,242,862
<i>Amounts reported for governmental activities in the statement of net position are different because</i>		
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.		58,691,347
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		5,198,684
Internal Service Funds are used by management to charge the costs of insurance and information services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.		2,165,035
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	10,482,754	
Deferred Inflows - Pension	(265,191)	
Net Pension Liability	<u>(39,296,699)</u>	(29,079,136)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Housing and Urban Development Loan Payable	(40,000)	
Special Assessment Bonds Payable	(128,000)	
Ohio Public Works Commission Loans Payable	(240,859)	
General Obligation Bonds Payable	(11,541,185)	
Less: Deferred Charge on Refunding	107,913	
Ohio Water Development Authority Loan Payable	(313,264)	
Installment Loan	(676,101)	
Pollution Remediation Obligation	(229,043)	
Capital Leases Payable	(780,396)	
Compensated Absences Payable	(4,855,170)	
Accrued Interest Payable	<u>(37,578)</u>	
		<u>(18,733,683)</u>
<i>Net Position of Governmental Activities</i>		<u>\$ 34,485,109</u>

See accompanying notes to the basic financial statements



CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016**

	General	.45 Police and Fire Levy	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 13,694,288	\$ 4,784,419	\$ 6,561,207	\$ 25,039,914
Intergovernmental Revenues	1,034,136	6,880	5,105,527	6,146,543
Charges for Services	3,106,796	0	2,098,878	5,205,674
Licenses, Permits and Fees	20,880	0	760	21,640
Investment Earnings	133,854	0	5,064	138,918
Special Assessments	0	0	120,658	120,658
Fines and Forfeitures	694,666	0	1,316,906	2,011,572
All Other Revenue	133,906	28,657	437,336	599,899
Total Revenue	18,818,526	4,819,956	15,646,336	39,284,818
Expenditures:				
Current:				
Security of Persons and Property	256,819	14,779,964	2,206,492	17,243,275
Public Health and Welfare Services	299,567	0	523,183	822,750
Leisure Time Activities	0	0	1,912,169	1,912,169
Community Environment	146,269	0	835,878	982,147
Transportation	0	0	6,911,218	6,911,218
General Government	6,386,887	0	2,139,550	8,526,437
Capital Outlay	0	0	2,399,353	2,399,353
Debt Service:				
Principal Retirement	63,724	0	1,162,440	1,226,164
Interest and Fiscal Charges	7,208	0	494,353	501,561
Total Expenditures	7,160,474	14,779,964	18,584,636	40,525,074
Excess (Deficiency) of Revenues Over Expenditures	11,658,052	(9,960,008)	(2,938,300)	(1,240,256)
Other Financing Sources (Uses):				
Ohio Public Works Commission Loans Issued	0	0	210,428	210,428
Transfers In	43,167	9,712,724	1,767,197	11,523,088
Transfers Out	(10,923,356)	0	(740,803)	(11,664,159)
Other Financing Source - Capital Lease	0	239,128	4,941	244,069
Total Other Financing Sources (Uses)	(10,880,189)	9,951,852	1,241,763	313,426
Net Change in Fund Balances	777,863	(8,156)	(1,696,537)	(926,830)
Fund Balances at Beginning of Year	7,230,152	553,033	9,339,674	17,122,859
Increase (Decrease) in Inventory Reserve	46,239	0	594	46,833
Fund Balances End of Year	\$ 8,054,254	\$ 544,877	\$ 7,643,731	\$ 16,242,862

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

***Reconciliation Of The Statement Of Revenues, Expenditures
And Changes In Fund Balances Of Governmental Funds
To The Statement Of Activities
For the Year Ended December 31, 2016***

Net Change in Fund Balances - Total Governmental Funds \$ (926,830)

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

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

Capital Outlay	4,170,845	
Depreciation Expense	<u>(2,231,637)</u>	1,939,208

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

Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		847,456
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The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets.		(8,294)
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(147,669)
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Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		2,856,746
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Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(5,491,621)
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The issuance of long-term debt (e.g. loans, leases) provides current financial resources to governmental funds, but has no effect on net position. Also governmental funds report the effect of premiums and similar items when debt is first issued, whereas, the amounts are deferred and amortized in the statement of activities.

Capital Lease Payable	(244,069)	
Ohio Public Works Commission Loan Payable	<u>(210,428)</u>	(454,497)

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

Housing and Urban Development Loan Payable	90,000	
Special Assessment Bonds Payable	22,000	
Ohio Public Works Commission Loans Payable	3,043	
General Obligation Bonds Payable	820,000	
Ohio Water Development Authority Loan Payable	16,677	
Installment Loan Payable	251,923	
Pollution Remediation Obligation Payable	88,133	
Capital Leases Payable	<u>201,003</u>	1,492,779

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		4,137
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(Continued)

CITY OF LANCASTER, OHIO

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	(169,609)	
Change in Inventory	46,833	
Amortization of Deferred Charge on Refunding	(13,489)	
Amortization of Bond Premium	8,059	(128,206)

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

(154,832)

Change in Net Position of Governmental Activities

\$ (171,623)

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 12,438,271	\$ 12,438,271	\$ 13,710,942	\$ 1,272,671
Intergovernmental Revenue	872,135	872,135	1,074,951	202,816
Charges for Services	4,156,518	4,156,518	3,867,309	(289,209)
Licenses, Permits and Fees	22,400	22,400	20,880	(1,520)
Investment Earnings	222,824	222,824	336,612	113,788
Fines and Forfeitures	763,450	763,450	696,431	(67,019)
All Other Revenues	49,000	49,000	131,245	82,245
Total Revenues	18,524,598	18,524,598	19,838,370	1,313,772
Expenditures:				
Current:				
Security of Persons and Property	333,958	333,958	312,728	21,230
Public Health and Welfare Services	297,934	300,934	299,567	1,367
Community Environment	204,563	204,563	150,253	54,310
General Government	7,894,904	8,137,464	7,465,711	671,753
Debt Service:				
Principal Retirement	51,682	66,918	63,724	3,194
Interest and Fiscal Charges	11,690	13,666	13,643	23
Total Expenditures	8,794,731	9,057,503	8,305,626	751,877
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,729,867	9,467,095	11,532,744	2,065,649
Other Financing Sources (Uses):				
Transfers In	0	0	43,167	43,167
Transfers Out	(11,926,557)	(12,123,741)	(10,923,356)	1,200,385
Total Other Financing Sources (Uses):	(11,926,557)	(12,123,741)	(10,880,189)	1,243,552
Net Change in Fund Balance	(2,196,690)	(2,656,646)	652,555	3,309,201
Fund Balance at Beginning of Year	5,895,612	5,895,612	5,895,612	0
Prior Year Encumbrances	199,368	199,368	199,368	0
Fund Balance at End of Year	\$ 3,898,290	\$ 3,438,334	\$ 6,747,535	\$ 3,309,201

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund - .45 Police and Fire Levy Fund
For the Year Ended December 31, 2016**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 4,792,346	\$ 4,792,346	\$ 4,792,346	\$ 0
Intergovernmental Revenue	0	1,500	6,880	5,380
All Other Revenues	0	28,657	28,657	0
Total Revenues	4,792,346	4,822,503	4,827,883	5,380
Expenditures:				
Current:				
Security of Persons and Property	15,485,458	15,373,500	14,914,869	458,631
Total Expenditures	15,485,458	15,373,500	14,914,869	458,631
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,693,112)	(10,550,997)	(10,086,986)	464,011
Other Financing Sources (Uses):				
Transfers In	10,756,356	10,896,240	9,712,724	(1,183,516)
Other Financial Sources - Capital Lease	0	239,128	239,128	0
Total Other Financing Sources (Uses):	10,756,356	11,135,368	9,951,852	(1,183,516)
Net Change in Fund Balance	63,244	584,371	(135,134)	(719,505)
Fund Balance at Beginning of Year	79,952	79,952	79,952	0
Prior Year Encumbrances	295,006	295,006	295,006	0
Fund Balance at End of Year	\$ 438,202	\$ 959,329	\$ 239,824	\$ (719,505)

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2016**

	Business-Type Activities - Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
Assets:				
Current assets:				
Cash and Cash Equivalents	\$ 137,012	\$ 107,350	\$ 334,911	\$ 66,266
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0
Investments	9,766,303	4,919,914	13,592,636	2,554,077
Accounts receivable	2,364,439	1,035,513	1,493,058	541,909
Interest receivable	0	12,270	37,701	456
Due from Other Funds	0	0	0	0
Inventory	2,315,309	929,082	75,928	16,179
Prepaid Items	24,567	13,965	21,758	2,152
Prepaid Gas Supply - current	0	0	0	0
Total current assets	14,607,630	7,018,094	15,555,992	3,181,039
Noncurrent assets:				
Restricted Assets:				
Cash and Cash Equivalents	116,377	581,492	1,804,202	0
Investments	0	0	0	537,257
Total restricted assets	116,377	581,492	1,804,202	537,257
Prepaid Gas Supply	0	0	0	0
Land Held for Resale	0	0	0	0
Fair Value of Derivative Instruments	0	0	0	0
Advance to Other Funds	0	0	0	186,600
Capital assets:				
Capital Assets Not Being Depreciated	458,211	690,186	2,365,791	105,120
Capital Assets Being Depreciated	11,533,505	26,674,562	59,872,034	1,308,450
Total capital assets (net of accumulated depreciation)	11,991,716	27,364,748	62,237,825	1,413,570
Total noncurrent assets	12,108,093	27,946,240	64,042,027	2,137,427
Total Assets	26,715,723	34,964,334	79,598,019	5,318,466
Deferred Outflows of Resources:				
Deferred Loss on Early Retirement of Debt	0	433,702	1,596,187	0
Pension	675,674	972,423	639,944	437,183
Deferred Outflow from Derivative Instruments	0	0	0	0
Total Deferred Outflows of Resources	675,674	1,406,125	2,236,131	437,183

CITY OF LANCASTER, OHIO

Storm Water	Port Authority	Total	Internal Service Funds
\$ 50,604	\$ 985,596	\$ 1,681,739	\$ 1,372,029
0	0	0	2,649,287
1,950,428	0	32,783,358	0
357,375	0	5,792,294	20,849
0	0	50,427	0
0	537,762	537,762	0
0	0	3,336,498	53,256
0	0	62,442	406
0	12,941,099	12,941,099	0
<u>2,358,407</u>	<u>14,464,457</u>	<u>57,185,619</u>	<u>4,095,827</u>
79,183	6,231,325	8,812,579	0
0	0	537,257	0
<u>79,183</u>	<u>6,231,325</u>	<u>9,349,836</u>	<u>0</u>
0	186,941,504	186,941,504	0
0	140,400	140,400	0
0	219,790,903	219,790,903	0
0	0	186,600	0
229,990	141,996	3,991,294	0
<u>18,738,224</u>	<u>2,921,459</u>	<u>121,048,234</u>	<u>926,866</u>
<u>18,968,214</u>	<u>3,063,455</u>	<u>125,039,528</u>	<u>926,866</u>
<u>19,047,397</u>	<u>416,167,587</u>	<u>541,448,771</u>	<u>926,866</u>
<u>21,405,804</u>	<u>430,632,044</u>	<u>598,634,390</u>	<u>5,022,693</u>
0	0	2,029,889	0
140,181	0	2,865,405	594,129
0	5,110,370	5,110,370	0
<u>140,181</u>	<u>5,110,370</u>	<u>10,005,664</u>	<u>594,129</u>

(Continued)

CITY OF LANCASTER, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2016**

	Business-Type Activities - Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
Liabilities:				
Current liabilities:				
Accounts Payable	266,404	157,473	168,248	75,071
Accrued Wages and Benefits	46,673	69,010	46,481	33,295
Intergovernmental Payable	0	0	0	12,168
Claims Payable	0	0	0	0
Retainage Payable	0	0	0	0
Due to Others, Payable from Restricted Assets	116,377	21,526	21,526	0
Due to Other Funds	537,762	0	0	0
Accrued Interest Payable	0	185,359	521,970	8,265
General Obligation Notes Payable	0	0	0	0
Capital Leases Payable - Current	0	3,218	0	0
Revenue Bond Payable - Current	0	310,000	885,000	0
Installment Loan Payable - Current	0	0	0	0
OWDA Loans Payable - Current	0	1,525,293	1,795,032	270,072
Landfill Postclosure Care Liability - Current	0	0	0	78,600
Compensated Absences Payable - Current	25,516	67,984	37,973	19,676
Total Current Liabilities	992,732	2,339,863	3,476,230	497,147
Noncurrent Liabilities:				
Capital Leases Payable	0	0	0	0
Installment Loans Payable	0	0	0	0
Revenue Bonds Payable	0	5,084,573	20,542,680	0
OWDA Loans Payable	0	9,415,848	26,303,575	280,928
Landfill Postclosure Care Liability	0	0	0	969,768
Compensated Absences Payable	402,704	666,790	465,346	284,754
Net Pension Liability	1,776,141	2,556,203	1,682,216	1,149,221
Fair Value of Derivative Instruments	0	0	0	0
Total noncurrent liabilities	2,178,845	17,723,414	48,993,817	2,684,671
Total Liabilities	3,171,577	20,063,277	52,470,047	3,181,818
Deferred Inflows of Resources:				
Pension	34,318	49,391	32,504	22,205
Deferred Inflow from Derivative Instruments	0	0	0	0
Total Deferred Inflow of Resources	34,318	49,391	32,504	22,205
Net Position:				
Net Investment in Capital Assets	11,991,716	11,459,518	14,307,725	1,413,570
Restricted for Debt Service	0	559,966	1,782,676	0
Unrestricted	12,193,786	4,238,307	13,241,198	1,138,056
Total Net Position	\$ 24,185,502	\$ 16,257,791	\$ 29,331,599	\$ 2,551,626

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

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Storm Water	Port Authority	Total	Internal Service Funds
133,062	0	800,258	154,949
9,442	0	204,901	38,546
0	0	12,168	0
0	0	0	502,122
79,183	0	79,183	0
0	0	159,429	0
0	0	537,762	0
4,581	293,987	1,014,162	19
631,000	0	631,000	0
83,853	0	87,071	6,593
0	14,135,000	15,330,000	0
0	350,000	350,000	63,381
0	0	3,590,397	0
0	0	78,600	0
13,809	0	164,958	18,766
<u>954,930</u>	<u>14,778,987</u>	<u>23,039,889</u>	<u>784,376</u>
0	0	0	14,353
0	700,000	700,000	0
0	280,268,900	305,896,153	0
0	0	36,000,351	0
0	0	969,768	0
78,692	0	1,898,286	333,008
368,494	0	7,532,275	1,561,786
0	5,110,370	5,110,370	0
<u>447,186</u>	<u>286,079,270</u>	<u>358,107,203</u>	<u>1,909,147</u>
<u>1,402,116</u>	<u>300,858,257</u>	<u>381,147,092</u>	<u>2,693,523</u>
7,120	0	145,538	30,177
0	219,790,903	219,790,903	0
<u>7,120</u>	<u>219,790,903</u>	<u>219,936,441</u>	<u>30,177</u>
18,253,361	2,013,455	59,439,345	842,539
0	0	2,342,642	0
1,883,388	(86,920,201)	(54,225,466)	2,050,583
<u>\$ 20,136,749</u>	<u>\$ (84,906,746)</u>	<u>\$ 7,556,521</u>	<u>\$ 2,893,122</u>
		<u>728,087</u>	
		<u>\$ 8,284,608</u>	

CITY OF LANCASTER, OHIO

**Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2016**

	Business-Type Activities - Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
Operating Revenues:				
Charges for Services	\$ 11,732,603	\$ 8,641,844	\$ 12,166,215	\$ 3,808,230
Other Operating Revenues	686,599	3,243	9,466	106,073
Total Operating Revenues	12,419,202	8,645,087	12,175,681	3,914,303
Operating Expenses:				
Personal Services	1,840,472	3,049,518	1,950,987	1,349,996
Contractual Services	1,022,527	1,329,858	1,489,614	1,467,880
Cost of Gas Sold	7,034,712	0	0	0
Materials and Supplies	583,805	1,535,189	1,168,786	238,557
Depreciation	757,909	1,641,498	3,275,317	189,829
Health Insurance Claims	0	0	0	0
Total Operating Expenses	11,239,425	7,556,063	7,884,704	3,246,262
Operating Income (Loss)	1,179,777	1,089,024	4,290,977	668,041
Non-Operating Revenue (Expenses):				
Interest Income	0	(1,951)	10,125	1,979
Interest and Fiscal Charges	0	(513,517)	(1,663,161)	(14,524)
Gain on Derivative Instrument	0	0	0	0
Loss on Disposal of Capital Assets	0	0	(4,923)	(1,157)
Total Non-Operating Revenues (Expenses)	0	(515,468)	(1,657,959)	(13,702)
Income (Loss) Before Contributions and Transfers	1,179,777	573,556	2,633,018	654,339
Capital Contributions	0	209,595	304,103	0
Transfers In	4,670	86	4,527	0
Change in Net Position	1,184,447	783,237	2,941,648	654,339
Net Position Beginning of Year	23,001,055	15,474,554	26,389,951	1,897,287
Net Position End of Year	\$ 24,185,502	\$ 16,257,791	\$ 29,331,599	\$ 2,551,626

Change in Net Position of Enterprise Funds

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

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Storm Water	Port Authority	Total	Internal Service Funds
\$ 3,035,201	\$ 5,196,312	\$ 44,580,405	\$ 8,880,595
6,104	94,500	905,985	32,383
<u>3,041,305</u>	<u>5,290,812</u>	<u>45,486,390</u>	<u>8,912,978</u>
422,191	0	8,613,164	1,820,627
1,078,617	242,969	6,631,465	517,981
0	0	7,034,712	0
7,054	0	3,533,391	314,252
245,369	45,628	6,155,550	163,219
0	0	0	6,463,370
<u>1,753,231</u>	<u>288,597</u>	<u>31,968,282</u>	<u>9,279,449</u>
1,288,074	5,002,215	13,518,108	(366,471)
0	1,048	11,201	0
(22,231)	(5,976,751)	(8,190,184)	(2,693)
0	1,636,521	1,636,521	0
0	0	(6,080)	(8,976)
<u>(22,231)</u>	<u>(4,339,182)</u>	<u>(6,548,542)</u>	<u>(11,669)</u>
1,265,843	663,033	6,969,566	(378,140)
568,913	0	1,082,611	0
0	0	9,283	131,788
1,834,756	663,033	8,061,460	(246,352)
<u>18,301,993</u>	<u>(85,569,779)</u>	<u>(504,939)</u>	<u>3,139,474</u>
<u>\$ 20,136,749</u>	<u>\$ (84,906,746)</u>	<u>\$ 7,556,521</u>	<u>\$ 2,893,122</u>
		\$ 8,061,460	
		(91,520)	
		<u>\$ 7,969,940</u>	

CITY OF LANCASTER, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016**

	Business-Type Activities			
	Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
Cash Flows from Operating Activities:				
Cash Received from Customers	\$11,862,666	\$8,547,629	\$12,014,954	\$3,792,765
Cash Received from Swap Providers	0	0	0	0
Cash Received from Interfund Services	0	0	0	0
Cash Payments for Goods and Services	(9,035,308)	(2,727,019)	(2,702,859)	(1,790,014)
Cash Payments to and on behalf of Employees	(1,707,633)	(2,924,975)	(1,867,005)	(1,285,362)
Cash Payments for Claims	0	0	0	0
Customer Deposits Received	129,827	24,009	24,009	0
Customer Deposits Returned	(127,222)	(23,527)	(23,527)	0
Net Cash Provided by Operating Activities	1,122,330	2,896,117	7,445,572	717,389
Cash Flows from Noncapital Financing Activities:				
Receipt of Interfund Advance Repayment	0	0	0	9,000
Principal Paid on Revenue Bond Payable	0	0	0	0
Principal Paid on Ohio Water Development Authority Loans	0	0	0	(259,635)
Interest Paid on Debt	0	0	0	(22,391)
Transfers In from Other Funds	4,670	40,607	29,362	0
Net Cash Provided (Used) by Noncapital Financing Activities	4,670	40,607	29,362	(273,026)
Cash Flows from Capital and Related Financing Activities:				
Intergovernmental Grants Received	0	0	0	0
Proceeds from General Obligation Notes	0	0	0	0
Proceeds from Loan	0	0	0	0
Acquisition and Construction of Assets	(1,568,550)	(20,250)	(1,629,375)	(319,249)
Principal Paid on Installment Loan	0	0	0	0
Principal Paid on General Obligation Notes	0	0	0	0
Capital Lease Payments	0	(5,296)	0	0
Net Proceeds from Refunding Bonds Issued	0	0	153,217	0
Principal Paid on Revenue Bonds Payable	0	(305,000)	(840,000)	0
Principal Paid on Ohio Water Development Authority Loans	0	(1,466,897)	(2,180,460)	0
Principal Paid on Loan Payable	0	0	0	0
Interest Paid on All Debt	0	(575,465)	(1,737,960)	0
Net Cash Used by Capital and Related Financing Activities	(1,568,550)	(2,372,908)	(6,234,578)	(319,249)
Cash Flows from Investing Activities:				
Cash Received from Swap Providers	0	0	0	0
Sale of Investments	0	0	0	0
Purchase of Investments	(17,866)	(806,805)	(1,925,143)	(238,208)
Receipt of Investment Earnings	0	30,158	108,358	2,940
Net Cash Provided (Used) for Investing Activities	(17,866)	(776,647)	(1,816,785)	(235,268)
Net Increase (Decrease) in Cash and Cash Equivalents	(459,416)	(212,831)	(576,429)	(110,154)
Cash and Cash Equivalents at Beginning of Year	712,805	901,673	2,715,542	176,420
Cash and Cash Equivalents at End of Year	\$253,389	\$688,842	\$2,139,113	\$66,266
Reconciliation of Cash and				
Cash Equivalents per the Statement of Net Position:				
Cash and Cash Equivalents	\$137,012	\$107,350	\$334,911	\$66,266
Cash and Cash Equivalents with Fiscal Agent	0	0	0	0
Restricted Cash and Cash Equivalents	116,377	581,492	1,804,202	0
Cash and Cash Equivalents at End of Year	\$253,389	\$688,842	\$2,139,113	\$66,266

CITY OF LANCASTER, OHIO

Storm Water	Port Authority	Totals	Internal Service Funds
\$3,022,442	\$5,022,653	\$44,263,109	\$0
0	13,369,524	13,369,524	0
0	0	0	8,892,129
(1,092,877)	(242,969)	(17,591,046)	(733,410)
(387,212)	0	(8,172,187)	(1,786,408)
0	0	0	(6,335,568)
0	0	177,845	0
0	0	(174,276)	0
<u>1,542,353</u>	<u>18,149,208</u>	<u>31,872,969</u>	<u>36,743</u>
0	0	9,000	0
0	(13,545,000)	(13,545,000)	0
0	0	(259,635)	0
0	(5,586,495)	(5,608,886)	0
0	0	74,639	131,788
<u>0</u>	<u>(19,131,495)</u>	<u>(19,329,882)</u>	<u>131,788</u>
268,007	0	268,007	0
631,000	0	631,000	0
0	1,400,000	1,400,000	0
(2,270,269)	(1,295,323)	(7,103,016)	(76,666)
0	0	0	(61,635)
(831,000)	0	(831,000)	0
(60,663)	0	(65,959)	(4,907)
0	0	153,217	0
0	0	(1,145,000)	0
0	0	(3,647,357)	0
0	(350,000)	(350,000)	0
(23,774)	(32,679)	(2,369,878)	(2,853)
<u>(2,286,699)</u>	<u>(278,002)</u>	<u>(13,059,986)</u>	<u>(146,061)</u>
0	1,636,521	1,636,521	0
670,135	0	670,135	0
0	0	(2,988,022)	0
0	1,048	142,504	0
<u>670,135</u>	<u>1,637,569</u>	<u>(538,862)</u>	<u>0</u>
(74,211)	377,280	(1,055,761)	22,470
203,998	6,839,641	11,550,079	3,998,846
<u>\$129,787</u>	<u>\$7,216,921</u>	<u>\$10,494,318</u>	<u>\$4,021,316</u>
\$50,604	\$985,596	\$1,681,739	\$1,372,029
0	0	0	2,649,287
79,183	6,231,325	8,812,579	0
<u>\$129,787</u>	<u>\$7,216,921</u>	<u>\$10,494,318</u>	<u>\$4,021,316</u>

(Continued)

CITY OF LANCASTER, OHIO

**Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016**

	Business-Type Activities Enterprise Funds			
	Gas	Water	Water Pollution	Sanitation
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided by Operating Activities:</u>				
Operating Income (Loss)	\$1,179,777	\$1,089,024	\$4,290,977	\$668,041
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	757,909	1,641,498	3,275,317	189,829
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:				
(Increase) in Accounts Receivable	(556,536)	(97,458)	(160,727)	(121,538)
Increase in Due to Other Funds	0	0	0	0
(Increase) Decrease in Inventory	(545,377)	95,312	24,834	27,219
(Decrease) Increase in Prepaid Items	(1,115)	(16)	(1,117)	463
Decrease in Prepaid Gas Supply	0	0	0	0
Increase in Deferred Outflows of Resources	(454,402)	(643,601)	(429,673)	(286,490)
Increase (Decrease) in Accounts Payable	(18,747)	43,237	(68,106)	(36,019)
Decrease in Accrued Wages and Benefits	(5,941)	(8,382)	(5,089)	(2,094)
Increase in Due to Other Funds	173,659	0	0	0
Decrease in Intergovernmental Payable	(2,286)	0	0	(1,157)
Increase in Customer Deposits	2,605	482	482	0
Decrease in Unearned Revenue	0	0	0	0
Decrease in Landfill Postclosure Care Liability	0	0	0	(73,801)
Increase (Decrease) in Compensated Absences	57,084	64,799	15,340	49,660
Increase in Net Pension Liability	523,390	694,537	491,744	296,059
Increase in Deferred Inflows of Resources	12,310	16,685	11,590	7,217
Increase in Claims Payable	0	0	0	0
Total Adjustments	<u>(57,447)</u>	<u>1,807,093</u>	<u>3,154,595</u>	<u>49,348</u>
Net Cash Provided by Operating Activities	<u>\$1,122,330</u>	<u>\$2,896,117</u>	<u>\$7,445,572</u>	<u>\$717,389</u>

Schedule of Noncash Investing, Capital and Financing Activities:

At December 31, 2016, the Water Pollution and Storm Water Funds had outstanding liabilities of \$17,939 and \$118,958 respectively for certain capital assets.

During 2016, the Utilities Fund entered into capital lease obligations of \$13,093.

During 2016 the Water, Water Pollution, and Storm Water Funds received capital contributions from developers of \$209,595, \$304,103, and \$300,906, respectively.

See accompanying notes to the basic financial statements

CITY OF LANCASTER, OHIO

Storm Water	Port Authority	Totals	Internal Service Funds
\$1,288,074	\$5,002,215	\$13,518,108	(\$366,471)
245,369	45,628	6,155,550	163,219
(18,863)	0	(955,122)	(20,849)
0	(173,659)	(173,659)	0
0	0	(398,012)	(23,237)
0	0	(1,785)	18
0	13,369,524	13,369,524	0
(96,634)	0	(1,910,800)	(403,646)
(7,206)	0	(86,841)	122,057
(862)	0	(22,368)	(8,000)
0	0	173,659	0
0	0	(3,443)	0
0	0	3,569	0
0	(94,500)	(94,500)	
0	0	(73,801)	0
7,740	0	194,623	(48,731)
121,946	0	2,127,676	483,350
2,789	0	50,591	11,231
0	0	0	127,802
254,279	13,146,993	18,354,861	403,214
\$1,542,353	\$18,149,208	\$31,872,969	\$36,743

CITY OF LANCASTER, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2016***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 341,549
Due from Other Funds	<u>4,177</u>
Total Assets	<u>\$ 345,726</u>
Liabilities:	
Due to Other Funds	\$ 4,177
Intergovernmental Payable	4,177
Due to Others	<u>337,372</u>
Total Liabilities	<u>\$ 345,726</u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements are presented as of December 31, 2016 and for the year then ended, and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB 61, in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

The City's financial reporting entity includes a blended component unit, the Lancaster Port Authority, as well as, all funds, agencies, boards and commissions that are part of the primary government, which include the following services: police and fire protection, parks and recreation, cemetery department, planning, zoning, street maintenance, basic utility (water, sewer, electric, gas, and refuse) and other governmental services. The Port Authority, although a legally separate entity, provides services almost entirely to the City by financing the purchase of gas supply for the Gas Fund. The Executive Director of the Port Authority also serves as the General Manager to the Lancaster Municipal Gas Department. In addition, the City Treasurer voluntarily serves as the Treasurer to the Port Authority. Separately issued financial statements can be obtained from Lancaster Port Authority, 104 East Main Street, Lancaster, OH 43130.

The City participates in several Jointly Governed Organizations and an Insurance Pool that are further described in Notes 21 and 22.

B. Basis of Presentation - Fund Accounting

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

The following fund types are used by the City:

Governmental Funds

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

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

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

Proprietary Funds

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

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

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

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

Fiduciary Funds

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

C. Basis of Presentation – Financial Statements

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

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

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

D. Basis of Accounting

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

Revenues considered susceptible to accrual at year end include income taxes, interest on investments, and state levied locally shared taxes, including motor vehicle license fees and local government assistance. Other revenues, including licenses, permits, certain charges for services, and miscellaneous revenues are recorded when received in cash, because generally these revenues are not measurable until received.

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

E. Budgetary Process

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

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

1. **Tax Budget**

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2016.

3. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level (the legal level of control). The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. The allocation of appropriations among departments and objects within a fund may only be modified during the year by an ordinance of City Council. During 2016, several supplemental appropriations were legally enacted by Council. Administrative control is maintained through the establishment of more detailed line-item budgets. The amounts reported as the original budget amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The budgetary figures which appear on the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual" are presented on a budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Lapsing of Appropriations

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

5. Budgetary Basis of Accounting

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

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

	Net Change in Fund Balance	
	General Fund	.45 Police and Fire Levy Fund
GAAP Basis (as reported)	\$777,863	(\$8,156)
Increase (Decrease):		
Accrued Revenues at December 31, 2016 received during 2017	(1,588,525)	(555,389)
Accrued Revenues at December 31, 2015 received during 2016	1,702,906	563,316
Accrued Expenditures at December 31, 2016 paid during 2017	480,008	448,890
Accrued Expenditures at December 31, 2015 paid during 2016	(656,001)	(407,198)
2015 Prepays for 2016	27,435	21,957
2016 Prepays for 2017	(26,667)	(24,762)
Adjustment to Fair Value	220,354	0
Outstanding Encumbrances	(284,818)	(173,792)
Budget Basis	<u>\$652,555</u>	<u>(\$135,134)</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

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

The City pools its cash, except for that held by fiscal and escrow agents and fiduciary fund cash and investments, for maximum investing efficiency. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 5, "Cash, Cash Equivalents and Investments."

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and GASB Statement No. 72, "Fair Value Measurement and Application", the City reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements.

The City's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes. See Note 5, "Cash, Cash Equivalents and Investments."

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Derivative Instruments

The City's derivative financial instruments are accounted for in accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instrument* and GASB Statement No. 72, *Fair Value Measurement and Application*. In connection with this Statement, the fair value of the City's derivative financial instruments is recorded on the Statement of Net position, with an offsetting deferred inflow or outflow. At December 31, 2016, the fair value and negative fair value of the City's derivative instruments are offset by a deferred inflow and outflow, respectively.

Derivative instruments are utilized by the City to manage market risk and reduce its exposure resulting from fluctuations in prices of natural gas in order to meet debt service requirements. These instruments include commodity swap agreements which convert index-priced natural gas revenues to fixed prices for servicing outstanding debt obligations and interest rate swap agreements which effectively convert the City's variable interest rate to a fixed rate. Interest expense in each operating period includes the netting adjustments of the interest rate swap agreements.

I. Inventory

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

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

K. Prepaid Gas Supply

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,500 and more than \$1,000 for the Port Authority.

1. Property, Plant and Equipment - Governmental Activities

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

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

2. Property, Plant and Equipment – Business Type Activities

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

3. Depreciation

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

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Long-Term Obligations

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

Obligation	Fund
General Obligation Bonds Payable	General Bond Retirement Fund
Revenue Bonds Payable	Water Fund, Water Pollution Fund, Port Authority Fund
Ohio Water Development Authority Loans	Street, Construction, Maintenance and Repair Fund, Water Fund, Water Pollution Fund Sanitation Fund
Ohio Public Works Commission Loan	General Bond Retirement Fund
Special Assessment Bond Payable	Special Assessment Retirement Fund
Installment Loan	General Fund, Street, Construction, Maintenance and Repair Fund, .15 Fire Levy Fund, Fire Impact-District One Fund, Port Authority Fund, Information Services Fund
Capital Leases	General Fund, 45 Police and Fire Levy Fund, Street Construction, Maintenance and Repair Fund, Parks and Recreation Fund, Water Fund, Storm Water Fund, Utilities Collection Fund
Housing and Urban Development Loan	Community Development Block Grant Fund
Compensated Absences Net Pension Liability	General Fund, .45 Police and Fire Levy Fund, Cemetery Fund, Street Construction, Maintenance and Repair Fund, Parks and Recreation Fund Lancaster Community Development Fund Gas Fund, Water Fund, Water Pollution Fund Sanitation Fund, Storm Water Fund, Utilities Collection Fund, Information Services Fund

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Compensated Absences

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

Sick leave is accrued by all employees at the rate of 4.615 hours every two weeks for a total of fifteen days of sick leave accrued per year. Sick leave may be accumulated without limit. Upon separation from the City, employees are paid a prorated amount of accumulated sick leave based on years of service up to a maximum of 960 hours. Employees with over 960 hours receive an additional 25% of amounts over 960 hours. The prorata amount is determined in each negotiated work agreement with the City.

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered and it is probable that the City will compensate the employees for the benefits at termination or retirement. The City uses the vesting method for determining the liability for sick leave. Compensated absences accumulated by governmental fund type and proprietary fund type employees are reported as an expense when earned in the government-wide financial statements. For governmental fund financial statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not recorded. For proprietary funds, the entire compensated absences amount is reported as a fund liability.

O. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction of improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Pensions

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

Q. Interfund Transactions

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

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

R. Fund Balances

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Fund Balances (Continued)

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

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

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

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

S. Restricted Assets

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

T. Operating Revenues and Expenses

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

U. Interfund Balances

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

V. Deferred Outflows/Inflows of Resources

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

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

W. Contributions of Capital

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

X. Estimates

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Y. Fair Value

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

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES

For 2016, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 72, “Fair Value Measurement and Application,” and GASB Statement No. 77 “Tax Abatement Disclosures.”

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes, for applying fair value to certain investments, and disclosures related to all fair value measurements. These changes were incorporated in the City’s 2016 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments and that reduce the reporting government's tax revenues. These changes were incorporated in the City’s 2016 financial statements; however, there was no effect on beginning net position/fund balance and the City deemed any abatements to be insignificant.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 3 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	.45 Police and Fire Levy Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid Items	\$26,667	\$24,762	\$14,032	\$65,461
Supplies Inventory	205,738	0	277,393	483,131
Endowment	0	0	1,076,345	1,076,345
Total Nonspendable	<u>232,405</u>	<u>24,762</u>	<u>1,367,770</u>	<u>1,624,937</u>
Restricted:				
Transportation Projects	0	0	2,332,876	2,332,876
Cemetery	0	0	539,037	539,037
Court Projects	0	0	1,132,512	1,132,512
Public Transportation	0	0	424,228	424,228
911 Services	0	0	188,465	188,465
Police and Fire Operations	0	520,115	1,235,926	1,756,041
Pension for Public Safety	0	0	24,350	24,350
Community Development	0	0	1,715,534	1,715,534
Debt Retirement	0	0	72,339	72,339
Total Restricted	<u>0</u>	<u>520,115</u>	<u>7,665,267</u>	<u>8,185,382</u>
Committed:				
Parks and Recreation	0	0	663,364	663,364
Capital Improvements	0	0	1,377,876	1,377,876
Total Committed	<u>0</u>	<u>0</u>	<u>2,041,240</u>	<u>2,041,240</u>
Assigned:				
Projected budgetary deficit	1,162,369	0	0	1,162,369
Services and Supplies	140,790	0	0	140,790
Total Assigned	<u>1,303,159</u>	<u>0</u>	<u>0</u>	<u>1,303,159</u>
Unassigned:				
	<u>6,518,690</u>	<u>0</u>	<u>(3,430,546)</u>	<u>3,088,144</u>
Total Fund Balances	<u>\$8,054,254</u>	<u>\$544,877</u>	<u>\$7,643,731</u>	<u>\$16,242,862</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 4 - COMPLIANCE AND ACCOUNTABILITY

The fund deficits at December 31, 2016 of \$1,630,102 in the Ety Road TIF Project Fund and \$1,800,444 in the Columbian Construction Fund (capital projects funds) are the result of recording notes payable amounts in the individual fund balance sheets. The accumulated deficit of \$84,906,746 in the Port Authority Fund (enterprise fund) is the result of recording the prepaid gas supply at the present value of the future shipments and the related bonds payable at outstanding par value. At the end of the contract period, the net result will be zero. The General Fund provides transfers, upon City Council's approval when cash is required not when accruals occur.

NOTE 5 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

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

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

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

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

A. Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned. Protection of City cash and deposits is provided by the federal deposit insurance corporation as well as qualified securities pledged by the institution holding the assets. The City has no policy on custodial credit risk and is governed by Ohio Revised Code. Ohio Law requires that deposits be placed in eligible banks or savings and loan associations located in Ohio. Any public depository in which the City places deposits must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). The securities pledged as collateral are pledged to a pool for each individual financial institution in amounts equal to at least 105% of the carrying value of all public deposits held by each institution. Obligations that may be pledged as collateral are limited to obligations of the United States and its agencies and obligations of any state, county, municipal corporation or other legally constituted authority of any other state, or any instrumentality of such county, municipal corporation or other authority. Collateral is held by trustees including the Federal Reserve Bank and designated third party trustees of the financial institutions.

At year end the carrying amount of the City's deposits was \$23,412,443 and the bank balance was \$24,306,424. Federal depository insurance covered \$1,001,916 of the bank balance and \$23,304,508 was uninsured. Of the remaining uninsured bank balance, the City was exposed to custodial risk as follows:

	<u>Balance</u>
Uninsured and collateralized with securities held by the pledging institution's trust department not in the City's name	<u>\$23,304,508</u>
Total Balance	<u><u>\$23,304,508</u></u>

Investment earnings of \$103,268 earned by other funds was credited to the General Fund as required by state statute.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

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

B. Investments

The City's investments at December 31, 2016 were as follows:

	Fair Value	Credit Rating	Investment Maturities (in Years)		
			less than 1	1-3	3-5
STAR Ohio	\$56,583	AAAm ¹	\$56,583	\$0	\$0
City of Lancaster Bond Payable	128,000	AAA ¹	23,000	50,000	55,000
Negotiable CD's ^a	7,853,183	N/A ³	1,614,245	4,751,478	1,487,460
FNMA ^b	10,289,086	AA+ ¹ , Aaa ²	0	403,060	9,886,026
FHLB ^b	12,255,347	AA+ ¹ , Aaa ²	995,480	1,367,930	9,891,937
FFCB ^b	5,486,372	AA+ ¹ , Aaa ²	500,000	497,485	4,488,887
FHLMC ^b	4,388,201	AA+ ¹ , Aaa ²	0	0	4,388,201
Total Investments	<u>\$40,456,772</u>		<u>\$3,189,308</u>	<u>\$7,069,953</u>	<u>\$30,197,511</u>

¹ Standard & Poor's

² Moody's Investor Service

³ All are fully FDIC insured

^a None of these negotiable CDs are callable.

^b \$500,000 of these securities were called in 2017, \$31,516,006 are callable through November 2021.

The City's investments are valued using quoted market prices (Level 1 inputs).

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

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

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City's total investments, 0.1% are in STAROhio, 0.3% are in municipal bonds, 19.4% are in negotiable CDs, 25.4% are FNMA, 30.3% are FHLB, 13.6% are FFCB, and 10.9% are FHLMC.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Of the City's investment in repurchase agreements, the entire balance is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the City.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

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

C. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. STAR Ohio is treated as a cash equivalent. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statements No. 3 and 40.

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

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per Financial Statements	\$19,737,608	\$44,131,607
Certificates of Deposit (with maturities of more than 3 months)	3,731,418	(3,731,418)
Investments:		
STAR Ohio	(56,583)	56,583
Per GASB Statements No. 3 and 40	<u>\$23,412,443</u>	<u>\$40,456,772</u>

* Includes Cash with Fiscal Agent

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2016 were levied after October 1, 2015 on assessed values as of January 1, 2015, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2014. Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 31; if paid semiannually, the first payment is due February and the remainder payable in July. Under certain circumstances, state statute permits later payment dates to be established.

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 6 - TAXES (Continued)

A. Property Taxes (Continued)

The full tax rate for the City's operations for the year ended December 31, 2016 was \$6.40 per \$1,000 of assessed value. The assessed value upon which the 2016 property tax receipts were based was \$722,023,270. This amount constitutes \$701,260,420 in real property assessed value and \$20,762,850 in public utility property. Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .64% (6.40 mills) of assessed value.

B. Income Tax

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

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

NOTE 7 - RECEIVABLES

Receivables at December 31, 2016 consisted of taxes, accounts, special assessments, interest, loans and intergovernmental receivables arising from shared revenues. These amounts are shown separately on the face of the financial statements with the exception of property and income taxes receivable in the amount of \$4,677,269 and \$5,076,212 respectively. Delinquents are included in the amounts presented.

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 8 – INTERFUND ACCOUNTS

Interfund balances at December 31, 2016 consist of the following individual fund receivables and payables:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Enterprise Funds:		
Gas	\$0	\$537,762
Port Authority	537,762	0
Total Enterprise Funds	<u>537,762</u>	<u>537,762</u>
Agency Funds:		
Municipal Court	0	4,177
Law Library	4,177	0
Total Agency Funds	<u>4,177</u>	<u>4,177</u>
Totals	<u>\$541,939</u>	<u>\$541,939</u>
	<u>Advance to Other Funds</u>	<u>Advance from Other Funds</u>
Nonmajor Governmental Funds	\$0	\$186,600
Enterprise Fund:		
Sanitation Fund	186,600	0
Totals	<u>\$186,600</u>	<u>\$186,600</u>

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

NOTE 9 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2016:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$43,167	\$10,923,356
.45 Police and Fire Levy Fund	9,712,724	0
Nonmajor Governmental Funds	1,767,197	740,803
Enterprise Funds:		
Gas Fund	4,670	0
Water Fund	86	0
Water Pollution Fund	4,527	0
Internal Service Funds	131,788	0
Total Transfers	<u>\$11,664,159</u>	<u>\$11,664,159</u>

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2016:

Historical Cost:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
<i>Capital assets not being depreciated:</i>				
Land	\$18,055,298	\$135,279	\$0	\$18,190,577
Construction in Progress	9,273,293	0	(9,115,122)	158,171
Subtotal	27,328,591	135,279	(9,115,122)	18,348,748
<i>Capital assets being depreciated:</i>				
Buildings	7,551,586	10,485,235	0	18,036,821
Improvements Other than Buildings	7,624,876	34,300	(14,380)	7,644,796
Machinery and Equipment	5,399,398	781,116	(165,689)	6,014,825
Vehicles	7,353,136	592,497	(206,890)	7,738,743
Infrastructure	31,367,407	2,165,849	(152,029)	33,381,227
Subtotal	59,296,403	14,058,997	(538,988)	72,816,412
Total Cost	\$86,624,994	\$14,194,276	(\$9,654,110)	\$91,165,160

Accumulated Depreciation:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
Buildings	(\$4,009,018)	(\$293,957)	\$0	(\$4,302,975)
Improvements Other than Buildings	(4,616,894)	(271,029)	10,250	(4,877,673)
Machinery and Equipment	(3,517,766)	(389,606)	165,689	(3,741,683)
Vehicles	(5,179,828)	(617,690)	202,990	(5,594,528)
Infrastructure	(12,452,921)	(797,836)	151,765	(13,098,992)
Total Depreciation	(\$29,776,427)	(\$2,370,118) *	\$530,694	(\$31,615,851)
<i>Net Value:</i>	\$56,848,567			\$59,549,309

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	(\$441,150)
Leisure Time Activities	(226,393)
Community Environment	(2,208)
Public Health & Welfare	(7,994)
Transportation	(1,221,784)
General Government	(332,108)
Internal Service Fund Capital Assets	(138,481)
Total Depreciation Expense	(\$2,370,118)

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 10 – CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2016:

Historical Cost:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
<i>Capital assets not being depreciated:</i>				
Land	\$3,527,623	\$0	\$0	\$3,527,623
Construction in Progress	6,977,365	176,324	(6,690,018)	463,671
Subtotal	10,504,988	176,324	(6,690,018)	3,991,294
<i>Capital assets being depreciated:</i>				
Buildings	81,018,919	2,235,016	(8,380)	83,245,555
Improvements	34,776,146	0	(15,610)	34,760,536
Machinery and Equipment	10,616,217	309,865	(237,225)	10,688,857
Vehicles	5,239,488	705,692	(257,015)	5,688,165
Infrastructure	86,473,977	10,918,183	0	97,392,160
Subtotal	218,124,747	14,168,756	(518,230)	231,775,273
Total Cost	\$228,629,735	\$14,345,080	(\$7,208,248)	\$235,766,567

Accumulated Depreciation:

Class	December 31, 2015	Additions	Deletions	December 31, 2016
Buildings	(\$20,548,725)	(\$1,967,800)	\$3,457	(\$22,513,068)
Improvements	(29,791,275)	(1,157,273)	6,634	(30,941,914)
Machinery and Equipment	(9,540,388)	(273,453)	236,068	(9,577,773)
Vehicles	(4,283,633)	(329,280)	257,015	(4,355,898)
Infrastructure	(40,817,000)	(2,452,482)	0	(43,269,482)
Total Depreciation	(\$104,981,021)	(\$6,180,288)	\$503,174	(\$110,658,135)
<i>Net Value:</i>	\$123,648,714			\$125,108,432

Internal service funds serve both governmental and business-type funds. Accordingly, capital assets for them are included as part of the above totals for governmental and business-type funds. At year-end, \$857,962 and \$68,904 of internal service funds capital assets, net of depreciation are included in the respective above amounts. Also, \$138,481 and \$24,738 of depreciation expense for the internal service funds are included in the respective above amounts.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

	<u>State and Local</u>
2016 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2016 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>2.0</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$1,597,351 for 2016. Of this amount, \$154,038 is reported as accrued wages and benefits.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>Police</u>	<u>Firefighters</u>
2016 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2016 through December 31, 2016	12.25 %	12.25 %
2016 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2016 through December 31, 2016	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$2,045,844 for 2016. Of this amount, \$166,923 is reported as accrued wages and benefits.

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

The net pension liability for OPERS was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$18,470,873	\$29,919,887	\$48,390,760
Proportion of the Net Pension Liability -2016	0.106637%	0.465095%	
Proportion of the Net Pension Liability -2015	<u>0.107214%</u>	<u>0.464319%</u>	
Percentage Change	<u>(0.0005770%)</u>	<u>0.00077600%</u>	
Pension Expense	\$2,524,117	\$4,112,355	\$6,636,472

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$5,429,283	\$4,869,810	\$10,299,093
City contributions subsequent to the measurement date	<u>1,597,351</u>	<u>2,045,844</u>	<u>3,643,195</u>
Total Deferred Outflows of Resources	<u>\$7,026,634</u>	<u>\$6,915,654</u>	<u>\$13,942,288</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	<u>\$356,893</u>	<u>\$84,013</u>	<u>\$440,906</u>

\$3,643,195 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2017	\$1,187,437	\$1,266,167	\$2,453,604
2018	1,274,250	\$1,266,167	2,540,417
2019	1,382,055	\$1,266,167	2,648,222
2020	1,228,648	1,006,560	2,235,208
2021	0	(16,188)	(16,188)
2022	0	<u>(3,076)</u>	<u>(3,076)</u>
Total	<u>\$5,072,390</u>	<u>\$4,785,797</u>	<u>\$9,858,187</u>

Actuarial Assumptions - OPERS

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	4.25 to 10.05 percent including wage inflation
Pre-January 7, 2013 retirees	3 percent, simple
Post-January 7, 2013 retirees	3 percent, simple through 2018, then 2.80 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 0.4 percent for 2015.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2015 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	20.70	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	18.30	7.40
Other investments	18.00	4.59
Total	100.00 %	5.27 %

Discount Rate The discount rate used to measure the total pension liability was 8 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 8 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$29,428,613	\$18,470,873	\$9,228,366

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Changes between Measurement Date and Report Date

In October 2016, the OPERS Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2016. The most significant change is a reduction in the discount rate from 8.0 percent to 7.5 percent. Although the exact amount of these changes is not known, the impact to the City’s net pension liability is expected to be significant.

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2015 is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

Valuation Date	January 1, 2015
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

Rates of death are based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed January 1, 2012.

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

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF’s target asset allocation as of December 31, 2015 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Cash and Cash Equivalents	0.00 %	0.00 %	0.00 %
Domestic Equity	16.00	6.50	7.80
Non-US Equity	16.00	6.70	8.00
Core Fixed Income *	20.00	3.50	5.35
Global Inflation Protected *	20.00	3.50	4.73
High Yield	15.00	6.35	7.21
Real Estate	12.00	5.80	7.43
Private Markets	8.00	9.50	10.73
Timber	5.00	6.55	7.35
Master Limited Partnerships	8.00	9.65	10.75
Total	120.00 %		

* levered 2x

**numbers are net of expected inflation

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

Discount Rate The total pension liability was calculated using the discount rate of 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$39,460,324	\$29,919,887	\$21,838,199

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (“OPERS”)

Plan Description – OPERS administers three separate pension plans: the Traditional Pension Plan – a cost-sharing, multiple-employer defined benefit pension plan; the Member directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

In March 2016, OPERS received two favorable rulings from the Internal Revenue Service (IRS) allowing OPERS to consolidate all health care assets into the OPERS 115 Health Care Trust. Transition to the new health care trust structure was completed July 1, 2016. As of December 31, 2016, OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage. OPERS funds a Retiree Medical Account (RMA) for participants in the Member-Directed Plan. At retirement or refund, participants can be reimbursed for qualified medical expenses from their vested RMA balance.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2015 CAFR for details.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS is set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2016, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

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

Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2016. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2017 decreased to 1.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the RMA for participants in the Member-Directed Plan for 2016 was 4.0%.

The City's contributions for health care to the OPERS for the years ending December 31, 2016, 2015, and 2014 were \$266,225, \$265,674, and \$275,983, respectively, which were equal to the required contributions for each year.

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

Plan Description – The City contributes to the OP&F sponsored health care program, a cost-sharing multiple-employer defined postemployment health care plan administered by OP&F. OP&F provides health care benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F’s website at www.op-f.org.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The ORC states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

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

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2016, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions for health care to the OP&F for the years ending December 31, 2016, 2015, and 2014 were \$23,499, \$22,363, and \$21,564 for police and \$24,530, \$24,371 and \$23,901 for firefighters, respectively, which were equal to the required contributions for each year.

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 13 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. Bond anticipation notes may be retired at maturity from the proceeds of the sale of renewal notes or of the bonds anticipated by the notes, or from available funds of the City or a combination of these sources. The City is retiring its notes by the issuance of one year renewal notes with a portion of the principal being retired in accordance with the above provisions.

	Maturity Date	Balance January 1, 2016	Additions	(Reductions)	Balance December 31, 2016
Capital Projects Notes Payable:					
2.500% Street Improvement 2015	12/31/2016	\$1,187,886	\$0	(\$1,187,886)	\$0
2.500% Street Improvement 2016	12/31/2017	0	1,112,645	0	1,112,645
2.533% Island Capital Note 2015	12/31/2016	368,454	0	(368,454)	0
2.533% Island Capital Note 2016	12/31/2017	0	345,116	0	345,116
1.000% Columbian Construction Note 2015	12/22/2016	1,800,000	0	(1,800,000)	0
1.000% Columbian Construction Note 2016	12/22/2017	0	1,800,000	0	1,800,000
Total Capital Projects Notes Payable		<u>\$3,356,340</u>	<u>\$3,257,761</u>	<u>(\$3,356,340)</u>	<u>\$3,257,761</u>
Enterprise Funds Notes Payable:					
1.00% Storm Water Improvement	4/5/2016	\$831,000	\$0	(\$831,000)	\$0
1.00% Storm Water Improvement	4/7/2017	0	631,000	0	631,000
Total Enterprise Notes Payable		<u>\$831,000</u>	<u>\$631,000</u>	<u>(\$831,000)</u>	<u>\$631,000</u>

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

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

Long-term debt and other long-term obligations of the City at December 31, 2016 were as follows:

	Balance December 31, 2015	Additions	(Reductions)	Balance December 31, 2016	Due Within One Year
Business-Type Activities:					
Ohio Water Development Authority Loans (OWDA):					
2003 2.00% Water Treatment Plant/Clearwells/Wellfield	\$127,115	\$0	(\$6,347)	\$120,768	\$6,474
2001 4.14% Water Transmission Line/Waste Force Main	2,436,295	0	(306,750)	2,129,545	319,582
2001 3.90% Water Treatment Plant/Clearwells/Wellfield	9,844,628	0	(1,153,800)	8,690,828	1,199,237
1993 2.94% Water Pollution Control Plant (Supplement)	442,367	0	(442,367)	0	0
1996 3.16% Water Pollution Control Plant (Supplement)	658,539	0	(324,108)	334,431	334,431
2009 3.27% Water Pollution Control Plant	29,178,161	0	(1,413,985)	27,764,176	1,460,601
1997 3.98% Landfill Postclosure Care	810,635	0	(259,635)	551,000	270,072
Total Ohio Water Development Authority Loans	<u>43,497,740</u>	<u>0</u>	<u>(3,906,992)</u>	<u>39,590,748</u>	<u>3,590,397</u>
Revenue Bonds Payable:					
2012 2-3.5% Refunding Water System Improvement Revenue Bond	5,445,000	0	(305,000)	5,140,000	310,000
Premium	274,155	0	(19,582)	254,573	0
2008 3-4.375% Wastewater System Improvement Revenue Bond	17,200,000	0	(16,530,000)	670,000	670,000
2012 2-3.5% Refunding Wastewater System Improvement Revenue Bond	3,460,000	0	(195,000)	3,265,000	205,000
2016 3-4% Refunding Wastewater System Improvement Revenue Bond	0	15,395,000	0	15,395,000	10,000
Premium	164,641	2,109,698	(176,659)	2,097,680	0
2014 variable Refunding Port Authority Gas Supply Revenue Bond	308,860,000	0	(13,545,000)	295,315,000	14,135,000
Discount	(1,214,799)	0	303,699	(911,100)	0
Total Revenue Bonds Payable	<u>334,188,997</u>	<u>17,504,698</u>	<u>(30,467,542)</u>	<u>321,226,153</u>	<u>15,330,000</u>
2016 3.25% Port Authority Loan Payable	0	1,400,000	(350,000)	1,050,000	350,000
Net Pension Liability-Ohio Public Employees Retirement System	6,063,637	2,415,122	0	8,478,759	0
Landfill Postclosure Care Liability	1,122,169	0	(73,801)	1,048,368	78,600
Capital Leases	165,790	13,093	(70,866)	108,017	93,664
Compensated Absences	2,121,160	742,985	(528,905)	2,335,240	177,355
Total Business-Type Long-Term Debt	<u>\$387,159,493</u>	<u>\$22,075,898</u>	<u>(\$35,398,106)</u>	<u>\$373,837,285</u>	<u>\$19,620,016</u>

CITY OF LANCASTER, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

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

	Balance December 31, 2015	Additions	(Reductions)	Balance December 31, 2016	Due Within One Year
Governmental Activities Long-Term Debt:					
2010 2-3.125% General Obligation Bond Payable - Ety Road TIF	\$1,155,000	\$0	(\$300,000)	\$855,000	\$310,000
2014 2-3% Refunding General Obligation Bond Payable	2,325,000	0	(240,000)	2,085,000	250,000
Premium	30,570	0	(3,821)	26,749	0
2014 2-4% General Obligation Bond Payable-Court Facility	7,795,000	0	(185,000)	7,610,000	185,000
Premium	118,674	0	(4,238)	114,436	0
2014 1-3.45% General Obligation Bond Payable - Land	945,000	0	(95,000)	850,000	100,000
Total General Obligation Bonds Payable	<u>12,369,244</u>	<u>0</u>	<u>(828,059)</u>	<u>11,541,185</u>	<u>845,000</u>
2000 0.00% Ohio Public Works Commission Loan Payable	33,474	0	(3,043)	30,431	6,087
2016 0.00% Ohio Public Works Commission Loan Payable	0	210,428	0	210,428	21,043
Total Ohio Public Works Commission Loans Payable	<u>33,474</u>	<u>210,428</u>	<u>(3,043)</u>	<u>240,859</u>	<u>27,130</u>
2001 5.00% Special Assessment Bond Payable with Governmental Commitment	150,000	0	(22,000)	128,000	23,000
2008 2.84-4.4% Housing and Urban Development Loan Payable	130,000	0	(90,000)	40,000	40,000
2010 3.25% Ohio Water Development Authority Loan	329,941	0	(16,677)	313,264	17,223
Installment Loans Payable:					
2011 3.30% Fire Medic	21,410	0	(21,410)	0	0
2012 2.75% Fire Medic #2	94,596	0	(46,637)	47,959	47,959
2012 3.25% Fire Engine	268,111	0	(63,747)	204,364	65,898
2012 2.75% Street Equipment	156,271	0	(77,044)	79,227	79,227
2012 2.75% Narrow Banding Project	125,016	0	(61,635)	63,381	63,381
2013 3.30% Fire Aerial Truck Platform	387,636	0	(43,085)	344,551	44,525
Total Installment Loans Payable	<u>1,053,040</u>	<u>0</u>	<u>(313,558)</u>	<u>739,482</u>	<u>300,990</u>
Net Pension Liability:					
Ohio Public Employees Retirement System	6,867,570	3,124,544	0	9,992,114	0
Ohio Police and Fire Pension Fund	24,053,640	5,866,247	0	29,919,887	0
Total Net Pension Liability	<u>30,921,210</u>	<u>8,990,791</u>	<u>0</u>	<u>39,912,001</u>	<u>0</u>
Compensated Absences	4,833,527	1,589,684	(1,488,263)	4,934,948	378,527
Capital Leases	737,330	244,069	(201,003)	780,396	230,038
Pollution Remediation Obligation	317,176	0	(88,133)	229,043	229,043
Total Governmental Activities	<u>\$50,874,942</u>	<u>\$11,034,972</u>	<u>(\$3,050,736)</u>	<u>\$58,859,178</u>	<u>\$2,090,951</u>

Internal service funds serve both governmental and business-type funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental and business-type funds. At year-end, \$79,778 and \$271,996 of internal service funds compensated absences are included in the respective above amounts. Also, \$63,381 of an internal service fund installment loan is recorded in governmental activities and \$20,946 of an internal service fund capital lease is recorded in the business-type activities amount.

A special assessment general obligation bond is used to finance central business district street improvements. Debt service is financed by assessments to affected property owners. However, the City is ultimately responsible for the debt service if the assessments are not collected. There were no delinquent special assessments at year end.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

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

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

A. Gas Supply Revenue Bonds, Series 2014

In July 2014, the Port Authority issued \$321,685,000 of gas supply revenue refunding bonds to refund the March, 2008 gas supply revenue bonds which were issued to fund the prepayment of 64,655,785 Mmbtus of gas from Royal Bank of Canada with deliveries beginning April 2008 and ending March 2038. The City will purchase the scheduled monthly gas at a specified index less a discount from such index price for the entire term of April 2008 through March 2038. The revenue bonds are secured by a pledge of the gas supply revenues derived from the related prepay transaction. On August 1, 2019, the Series 2014 Bonds may either be refunded with a new series of bonds issued for a subsequent five-year period (or such shorter or longer period as may be agreed upon by the Port Authority and Royal Bank of Canada), or remarketed for a subsequent five-year period (or such shorter or longer period as may be agreed upon by the Port Authority and Royal Bank of Canada).

The Port Authority entered into an interest rate swap with Royal Bank of Canada in connection with the Series 2014, Gas Supply Revenue Refunding Bonds. Under the swap agreement, the Port Authority pays a fixed amount and receives a variable payment computed at a rate equal to that of the bonds. The interest payments reflected in the table were calculated based on the interest rate swap agreement which converts this issue to an effective fixed rate of approximately 1.84701%. The principal and interest remaining to be paid on these bonds is \$308,416,664. Principal and interest paid for the current year and total customer net revenues were \$16,505,174 and \$5,048,891, respectively.

B. Water and Wastewater Revenue Bonds

The City has pledged future customer revenues, net of specified operating expenses, to repay Water Revenue Bonds, series 2012. The 2012 bonds were issued to partially refund 2004 bonds which were originally issued to pay the cost of constructing two 2 million gallon storage tanks and various water lines. The principal and interest remaining to be paid on these bonds is \$6,665,799. Principal and interest paid for the current year and total customer net revenues were \$513,981 and \$2,728,571, respectively.

The City has pledged future customer revenues, net of specified operating expenses, to repay Wastewater Revenue Bonds, series 2008, 2012 and 2016. The 2012 bonds were issued to partially refund 2004 bonds which were originally issued to pay the cost of acquiring land for a new wastewater treatment plant and installing various sewer lines. The 2008 bonds were issued to pay the cost of constructing a new wastewater treatment plant. The 2016 bonds were issued to partially refund the 2008 bonds. The principal and interest remaining to be paid on these bonds is \$26,573,750. Principal and interest paid for the current year and total customer net revenues were \$1,688,038 and \$7,576,419, respectively.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

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

C. Ohio Water Development Authority Loans

In 1993, the City entered into an agreement with the Ohio Water Development Authority (OWDA), as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive \$13,502,148. The proceeds were used for Water Pollution Control Plant Improvements.

In 1996, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive \$5,047,248. The proceeds were used for Water Pollution Control Plant Improvements.

In 1997, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive \$3,968,355. This loan is payable from sanitation charges for landfill closure and postclosure care costs and the proceeds were used to close the landfill.

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

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

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

In 2009, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive a loan of \$34,396,999. The proceeds were used to build the Upper Hocking Wastewater Treatment Plant.

In 2010, the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive a loan of \$398,675. The proceeds were used to build a salt storage barn and wash bays.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

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

D. Future Long-Term Financing Requirements

A summary of the City's future long-term debt funding requirements including principal and interest payments as of December 31, 2016 follows:

Governmental Activities:

Years	General Obligation Bond Payable		Special Assessment Bond Payable		OWDA Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$845,000	\$363,346	\$23,000	\$6,400	\$17,223	\$9,270
2018	645,000	348,072	24,500	5,250	17,787	8,749
2019	645,000	336,583	25,500	4,025	18,370	8,211
2020	670,000	323,484	27,000	2,750	18,972	7,655
2021	675,000	308,196	28,000	1,400	19,593	7,082
2022-2026	2,350,000	1,285,589	0	0	108,028	26,121
2027-2031	1,275,000	1,014,187	0	0	113,291	8,679
2032-2036	1,550,000	739,800	0	0	0	0
2037-2041	1,880,000	404,200	0	0	0	0
2042-2043	865,000	52,200	0	0	0	0
Totals	<u>\$11,400,000</u>	<u>\$5,175,657</u>	<u>\$128,000</u>	<u>\$19,825</u>	<u>\$313,264</u>	<u>\$75,767</u>

Years	HUD Loan		OPWC Loan		Installment Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2017	\$40,000	\$1,824	\$27,130	\$0	\$300,990	\$20,598
2018	0	0	27,129	0	114,100	13,247
2019	0	0	27,129	0	117,904	9,446
2020	0	0	27,129	0	49,114	6,414
2021	0	0	27,129	0	50,751	4,776
2022-2026	0	0	105,213	0	106,623	4,431
Totals	<u>\$40,000</u>	<u>\$1,824</u>	<u>\$240,859</u>	<u>\$0</u>	<u>\$739,482</u>	<u>\$58,912</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

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

D. Future Long-Term Financing Requirements (Continued)

Business-Type Activities:

Years	OWDA Loans		Revenue Bonds Payable		Loan Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
	2017	\$3,590,397	\$1,170,227	\$15,330,000	\$6,234,771	\$350,000
2018	3,375,697	1,064,179	15,835,000	5,916,886	350,000	17,062
2019	3,207,655	964,222	267,885,000	3,664,750	350,000	5,688
2020	3,324,697	867,190	1,335,000	815,381	0	0
2021	3,446,053	766,616	1,400,000	761,981	0	0
2022-2026	11,807,006	2,488,396	7,755,000	2,990,019	0	0
2027-2031	10,830,518	914,937	7,760,000	1,337,425	0	0
2031-2034	8,725	131	2,485,000	150,000	0	0
Totals	<u>\$39,590,748</u>	<u>\$8,235,898</u>	<u>\$319,785,000</u>	<u>\$21,871,213</u>	<u>\$1,050,000</u>	<u>\$51,188</u>

E. Defeased Debt

In June 2012, the City defeased \$5,915,000 of Water Revenue Bonds dated September, 2004 (the "2004 Bonds") through the issuance of \$5,795,000 of Water Revenue Bonds. The net proceeds of the 2012 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$5,350,000 at December 31, 2016, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

In June 2012, the City defeased \$3,665,000 of Wastewater Revenue Bonds dated September, 2004 (the "2004 Bonds") through the issuance of \$3,680,000 of Wastewater Revenue Bonds. The net proceeds of the 2012 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$3,315,000 at December 31, 2016, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

In June 2016, the City defeased \$15,885,000 of Wastewater Revenue Bonds dated September, 2008 (the "2008 Bonds") through the issuance of \$15,395,000 of Wastewater Revenue Bonds. The net proceeds of the 2016 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$15,885,000 at December 31, 2016, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding. The refunding was undertaken to reduce total debt service payments over the next 17 years by \$3,886,212 and resulted in an economic gain of \$1,613,425.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 15 - CAPITALIZED LEASES

Under capital leases the City leases ten copiers, two mailing machines, a fire medic, two street sweepers, a chip spreader, distributor and roller, three pickup trucks, a utility sign truck, a hot box on a trailer, and a tractor with mower. The cost of the improvements and equipment obtained under capital leases is included in the appropriate proprietary fund or Governmental Activities Capital Assets and the related liability is included in the appropriate proprietary fund or in the Governmental Activities Long-Term Liabilities. The original cost of the assets acquired under capital lease was \$1,650,587.

The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2016:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2017	\$257,232	\$96,650
2018	254,411	7,377
2019	245,465	3,245
2020	52,629	2,869
2021	26,419	1,673
Minimum Lease Payments	836,156	111,814
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(55,760)</u>	<u>(3,797)</u>
Present value of minimum lease payments	<u>\$780,396</u>	<u>\$108,017</u>

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 16 - DERIVATIVE INSTRUMENTS

A. Composition of Derivative Instruments

The fair value balances and notional amounts of derivative instruments outstanding as of December 31, 2016, classified by type, are as follows:

	<u>Notional Amount</u>		<u>Fair Value</u>	<u>Counterparty Credit Rating</u>
Positive Cash Flow Hedge:				
Pay-variable, receive fixed commodity swap	45,599,043 mmbtu	\$	219,790,903	A+/A-1
Negative Cash Flow Hedge:				
Pay-fixed, receive variable interest rate swap	\$ 295,315,000	\$	(5,110,370)	AA-/A-1+

All fair values are classified as derivative instruments on the Statement of Net Position. The decrease in fair values of these derivatives instruments was \$27,136,961 for 2016. As these commodity and interest rate swaps are considered hedging derivatives instruments, the change in fair value is reflected within deferred outflows and inflows on the Statement of Net Position. The positive and negative fair values of the commodity and interest rate swaps were not netted. The fair values of the commodity swaps are based on forward prices from established indexes for the applicable region and discounted using established interest rate indexes. The fair values of the interest rate swaps are based on the LIBOR index at year end and discounted using established interest rate indexes. The fair value of the derivatives is calculated based on current market rates (Level 2 inputs).

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**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 16 - DERIVATIVE INSTRUMENTS (Continued)

B. Objective and Terms of Hedging Derivative Instruments

The following table displays the objective and terms of the Port Authority hedging derivative instruments outstanding at December 31, 2016:

<u>Type</u>	<u>Objective</u>	<u>Maturity Date</u>	<u>Terms</u>
Pay-fixed receive variable interest rate swap	The Port Authority entered into an interest rate swap in connection with its Series 2014 Bonds, effective on or before the date of the initial issuance of such bonds, to correlate the fixed payments it receives under the related Commodity Swap with its variable rate debt service payment on these bonds.	2019	The interest rate swap extends to the date of the final maturity of these bonds and requires payments based on a notional amount equal to the scheduled outstanding principal amount of these bonds. Under the interest rate swap, the Port Authority pays the counterparty a fixed payment of 1.84701%, on the notional amount and receives a variable payment equal to the rate actually borne by the Series 2014 Bonds, which is based upon the LIBOR index.
Pay-variable, receive fixed commodity swap	The Port Authority has entered into a fixed to floating commodity swap in connection with the natural gas prepay transaction. The purpose of the Commodity Swap is to correlate gas sales revenues the Port Authority receives based on floating natural gas indices to a fixed stream of payments necessary to make debt service payments on its Bonds.	2038	The commodity swap extends to the date of the final maturity of the related Natural Gas Supply Agreements. The commodity swap requires monthly payments based on a notional quantity of natural gas that corresponds to the volume of natural gas sold pursuant to the related Natural Gas Supply Agreements. Payments under the commodity swap are based on nationally published gas indices at the gas delivery points.

C. Commodity Swap Risks

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 16 - DERIVATIVE INSTRUMENTS (Continued)

C. Commodity Swap Risks (Continued)

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

D. Interest Rate Swap Risks

Termination Risk: The Interest Rate Swaps terminate in the event of a "triggering event" under the related Prepaid Natural Gas Sales Agreements, in the event of the Port Authority or counterparty nonperformance, and in connection with other specified events. Under the Interest Rate Swaps, no termination payment, in the amount of the fair value or otherwise, is to be made by either party in connection with an early termination of such swap.

Credit risk: The Interest Rate Swaps terminate in the event of a "triggering event" under the related Prepaid Natural Gas Sales Agreements, in the event of the Port Authority or Swap Counterparty nonperformance, and in connection with other specified events. The only amounts due upon termination of the Interest Rate Swaps would be previously accrued but unpaid amounts. If the Swap Counterparty is rated below "A1" by Moody's Investors Service, Inc., the Swap Counterparty is permitted to post collateral or post an alternative security arrangement within twenty-five Local Business Days of such downgrade. The Swap Counterparty must provide the Port Authority adequate assurances of Swap Counterparty's ability to continue performing under all Transactions, which adequate assurances must be satisfactory to the Port Authority.

Interest Rate Risk: Under the pay-fixed interest rate swap agreement, the Port Authority is required to pay an amount equal to the notional amount times the rate actually borne by the Series 2014 Bonds, and is to receive an amount equal to the LIBOR index. In the event the rate actually borne by the Series 2014 Bonds exceeds the rate paid by the Swap Counterparty, the Port Authority would be required to pay the Swap Counterparty an amount equal to the notational amount times the difference.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 17 - INSURANCE AND RISK MANAGEMENT

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

Insurance for property holds a \$5,000 deductible, general liability holds a \$1,000 deductible. The City carries a \$25,000 deductible for both police and professional liability insurance. The City also has an umbrella policy with Mt. Hawley Insurance Company for claims in excess of \$1,000,000.

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

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

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

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

The agreement with SCOIC considers medical, surgical, and prescription drug programs to also be self insured programs. The City retains the risk for the first \$100,000 of a covered individual medical claim.

Claims are paid by the City to the SCOIC. SCOIC contracts with Employee Benefits Management Corporation for claims servicing. The City has shared risk pool coverage with Jefferson Health Plan for covered individual medical claims in excess of \$100,000 up to \$500,000 per employee per year. The City also has a stop loss coverage insurance policy, purchased through Jefferson Health Plan, for covered individual medical claims in excess of \$500,000 per employee per year. The City has no stop loss coverage for the dental claims.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2016**

NOTE 17 - INSURANCE AND RISK MANAGEMENT (Continued)

The claims liability of \$502,122 reported at December 31, 2016 is based on an estimate provided by an actuary for medical and dental claims. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Changes in claims activity for the past two years, including medical, surgical, prescription drug, and dental are as follows:

<u>Fiscal Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>End of Year Liability</u>
2015	\$540,889	\$6,492,187	(\$6,658,756)	\$374,320
2016	\$374,320	\$6,463,370	(\$6,335,568)	\$502,122

NOTE 18 - SIGNIFICANT COMMITMENTS

As of December 31, 2016, the City had the following commitments with respect to capital improvements:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>
Stormwater-Cherokee Drive	\$91,410
Wastewater –Park Street	55,923
Union Mulberry/Glasco Park	155,967

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the significant cash basis commitments for encumbrances were \$2,010,804 in the Gas Fund.

NOTE 19 - SOLID WASTE LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

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

The City has accrued a liability for landfill closure and postclosure care costs in the Sanitation Fund of \$1,048,368. These costs are funded by a sanitation rate increase that became effective April 1, 1997. The rate will remain in effect for twenty-five years to cover annual postclosure care costs. The remaining five years of postclosure care costs will be funded by \$537,257 which has been placed in a restricted account. The estimated costs of postclosure care are subject to changes corresponding to the effects of inflation, revision of laws and other variables.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 20 – POLLUTION REMEDIATION OBLIGATION

In 2012, the City began the pollution remediation for the Lancaster Glass Property for which it was awarded a Clean Ohio Grant of \$2,499,500. The remediation is expected to be completed in 2017 and a liability of \$229,043 has been recorded for these obligations.

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS

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

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

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

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

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

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

F. Community Corrections Board (the “Board”)

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 21 - JOINTLY GOVERNED ORGANIZATIONS (Continued)

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

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

NOTE 22– INSURANCE POOL

The City is a member of the South Central Ohio Insurance Consortium (SCOIC), an insurance purchasing pool. The SCOIC’s primary purpose and object is establishing and carrying out a cost effective cooperative health program for its member organizations. The governing board consists of the one designee appointed by each of the members of the SCOIC. Members include the following school districts, governmental entities and county owned hospital: Amanda Clearcreek, Berne Union, Bloom-Carroll, Canal Winchester, Fairfield Union, Liberty Union-Thurston, Logan Hocking Local, Zanes Trace Local, and Miami Trace Local School Districts, Fairfield County Education Service Center, Lancaster and Washington Court House City School Districts, Hocking Valley Community Hospital, and City of Lancaster. The Liberty Union-Thurston Local School District serves as the fiscal agent for the SCOIC.

SCOIC contracts with the Jefferson Health Plan, a risk sharing, claims servicing, and insurance purchasing pool, for medical, and prescription drug coverage on a self-insured basis. The SCOIC members are considered self insured and pay a monthly premium to the fiscal agent that is actuarially calculated based on the participants’ actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. An additional fee is paid for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. SCOIC members participate in the shared risk pool through Jefferson Health Plan for individual claims from \$100,000 to \$500,000. SCOIC members are then covered under stop loss coverage for claims over \$500,000. SCOIC contracts with Employee Benefits Management Corporation to service the claims.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 22 – INSURANCE POOL (Continued)

In the event that the City would withdraw from SCOIC, the City would be required to give a one hundred eighty day notice prior to the end of their three year contract, be responsible for all run-out claims, and would have no rights to share in any surplus funds of SCOIC. To obtain financial information for the SCOIC, write to the fiscal agent, Liberty Union-Thurston Local School District, 1108 S. Main Street, Baltimore, Ohio 43105.

NOTE 23 - CONTINGENCIES

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

For the period January 1, 2016 to December 31, 2016, the City received federal and state grants for specific purposes that are subject to reviews and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 24- SUBSEQUENT EVENTS

In April, 2017, the City authorized the issuance of \$581,000 of 1 year renewal general obligation notes payable for storm water improvements.

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2016***

NOTE 25 - SIGNIFICANT ESTIMATES AND CONCENTRATIONS

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

A. Major Suppliers

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

B. Current Economic Conditions

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

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

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF LANCASTER, OHIO

***Schedule of City's Proportionate Share of the Net Pension Liability
Last Three Years***

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.107214%	0.107214%	0.106637%
City's proportionate share of the net pension liability (asset)	\$12,639,134	\$12,931,207	\$18,470,873
City's covered-employee payroll	\$12,633,231	\$13,144,467	\$13,283,725
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	100.05%	98.38%	139.05%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

Source: City Auditor's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.464319%	0.464319%	0.465095%
City's proportionate share of the net pension liability (asset)	\$22,613,773	\$24,053,640	\$29,919,887
City's covered-employee payroll	\$8,245,423	\$9,092,747	\$9,346,715
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	274.26%	264.54%	320.11%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	71.71%	66.77%

Source: City Auditor's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability.

CITY OF LANCASTER, OHIO

***Schedule of City Contributions
Last Four Years***

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$1,642,320	\$1,577,336	\$1,594,047	\$1,597,351
Contributions in relation to the contractually required contribution	<u>1,642,320</u>	<u>1,577,336</u>	<u>1,594,047</u>	<u>1,597,351</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$12,633,231	\$13,144,467	\$13,283,725	\$13,311,258
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%

Source: City Auditor's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required contribution	\$1,521,402	\$1,942,722	\$1,995,215	\$2,045,844
Contributions in relation to the contractually required contribution	<u>1,521,402</u>	<u>1,942,722</u>	<u>1,995,215</u>	<u>2,045,844</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$8,245,423	\$9,092,747	\$9,346,715	\$9,604,901
Contributions as a percentage of covered-employee payroll	18.45%	21.37%	21.35%	21.30%

Source: City Auditor's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

Information prior to 2013 is not available.

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

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

Nonmajor Governmental Funds

Special Revenue Funds

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

Cemetery Fund

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

Street Construction, Maintenance and Repair Fund

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

Street Levy Fund

To account for 3 mill voted levy designated for road improvements.

Parks and Recreation Fund

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

Special Improvement District Fund

To account for fees assessed to all downtown business owners for the up-keep of the grounds surrounding their properties. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Lancaster Public Transit Program Fund

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

911 Tariff Fund

To account for monies to enhance 911 wireless services.

Edward Byrne Grant Fund

To account for grant monies received from the United States Department of Justice for the purpose of funding special enforcement initiatives in areas which have been identified as high crime risk.

Law Director Victim Assistance Fund

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

Lancaster Community Development Fund

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

Law Enforcement Block Grant Fund

To account for grant monies to be used specifically for the improvement of public safety and the reduction of crime. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

(Continued)

Special Revenue Funds (Continued)

Police and Fire Pension Fund

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

Fairfield County Court Surveillance Fund

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

Indigent Drivers Alcohol Treatment Fund

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

Law Enforcement and Education Fund

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

Municipal Court Judicial Computer Fund

To account for monies received from the Municipal Court to be used for computer systems for the Municipal Judges.

Municipal Court Probation Fund

To account for fees assessed to criminal and traffic offenders who are placed by the Municipal Court on probation or other control sanctions to cover the cost of Probation department services and related expenditures.

Municipal Court Computerization Fund

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

Municipal Court Special Projects Fund

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

Municipal Court Family Violence Fund

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

Municipal Drug Court Fund

To account for grant monies to be used for a jail-alternative program, also known as The Fresh Start Program, which targets individuals with significant drug addictions and provides an intensive treatment program with a great deal of accountability.

Federal Emergency Management Agency (FEMA) Grant Fund

To account for Federal Emergency Management Agency funds received as reimbursement for storm damage clean up and repair. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

(Continued)

Special Revenue Funds (Continued)

Ohio Peace Officers Training Fund

To account for monies to be used for continuing professional training programs for law enforcement offices.

DARE Officer Retention Grant Fund

To account for grant monies to be used for the salaries of certified DARE officers training in the local schools.

Safe Routes to School Fund

To account for grant monies to develop programs to enable children to walk or bike to school safely.

.15 Fire Levy Fund

To accumulate .15% voted income taxes restricted for operations of the Fire Department.

DOJ Equitable Sharing Grant Fund

To account for grant monies to be used for purchasing law enforcement equipment.

Community Development Block Grant (CDBG) Fund

To account for monies received from the federal government under the Community Development Block Grant Program and The Community Housing Improvement Program.

State Highway Fund

To account for that portion of the state gasoline tax and motor vehicle registration fees restricted for street maintenance and repair of state highways within the City.

Drug Enforcement Fund

To account for monies received from fines to be used for drug enforcement activities. (This fund is not part of the City's appropriated budget; therefore no budgetary schedule is presented.)

Cemetery Interment Fund

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

Debt Service Funds

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

General Bond Retirement Fund

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

Special Assessment Debt Retirement Fund

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

Capital Projects Fund

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

LDOT (Lancaster Department of Transportation) Improvement Fund

To account for financial resources other than the 3 mill voted levy for road and bridge improvement.

Parks Improvement Fund

To account for Capital improvement and maintenance of City parks and recreation.

Capital Improvement Fund

To account for financial resources to be used for the acquisition or construction of major facilities.

Fire Impact - District One Fund

To account for new construction impact fees used for capital projects for the Fire Department.

Ety Road TIF Project Fund

To account for financial resources to be used for Ety Road infrastructure improvements.

Columbian Construction Fund

To account for financial resources to be used for for the construction of the Fairfield County Municipal Court.

Permanent Fund

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

Cemetery Trust Fund

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

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2016**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 3,027,706	\$ 72,339	\$ 846,264	\$ 283,134	\$ 4,229,443
Investments	3,082,326	0	403,637	793,211	4,279,174
Receivables (net of allowance for doubtful accounts):					
Taxes	3,240,587	334,119	270,009	0	3,844,715
Accounts	9,641	0	110,972	0	120,613
Intergovernmental	2,047,994	0	40,995	0	2,088,989
Interest	4,634	0	0	0	4,634
Special Assessments	0	180,867	0	0	180,867
Loans	1,626,554	0	0	0	1,626,554
Inventory of Supplies	277,393	0	0	0	277,393
Prepaid Items	14,032	0	0	0	14,032
Total Assets	\$ 13,330,867	\$ 587,325	\$ 1,671,877	\$ 1,076,345	\$ 16,666,414
Liabilities:					
Accounts Payable	\$ 229,479	\$ 0	\$ 46,759	\$ 0	\$ 276,238
Accrued Wages and Benefits Payable	151,562	0	0	0	151,562
Retainage Payable	107,385	0	0	0	107,385
Accrued Interest Payable	0	0	444	0	444
General Obligation Notes Payable	0	0	3,257,761	0	3,257,761
Advances from Other Funds	0	0	186,600	0	186,600
Total Liabilities	488,426	0	3,491,564	0	3,979,990
Deferred Inflows of Resources:					
Property Taxes	2,235,000	334,119	182,988	0	2,752,107
Unavailable Revenue	2,059,724	180,867	49,995	0	2,290,586
Total Deferred Inflows of Resources	4,294,724	514,986	232,983	0	5,042,693
Fund Balances:					
Nonspendable	291,425	0	0	1,076,345	1,367,770
Restricted	7,592,928	72,339	0	0	7,665,267
Committed	663,364	0	1,377,876	0	2,041,240
Unassigned	0	0	(3,430,546)	0	(3,430,546)
Total Fund Balances	8,547,717	72,339	(2,052,670)	1,076,345	7,643,731
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,330,867	\$ 587,325	\$ 1,671,877	\$ 1,076,345	\$ 16,666,414

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Governmental Funds
For the Year Ended December 31, 2016**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 5,664,250	\$ 330,869	\$ 566,088	\$ 0	\$ 6,561,207
Intergovernmental Revenues	4,904,908	0	200,619	0	5,105,527
Charges for Services	1,800,722	0	273,162	24,994	2,098,878
Licenses, Permits and Fees	760	0	0	0	760
Investment Earnings	5,064	0	0	0	5,064
Special Assessments	77,427	43,231	0	0	120,658
Fines and Forfeitures	1,316,906	0	0	0	1,316,906
All Other Revenue	364,696	0	72,640	0	437,336
Total Revenue	14,134,733	374,100	1,112,509	24,994	15,646,336
Expenditures:					
Current:					
Security of Persons and Property	2,206,492	0	0	0	2,206,492
Public Health and Welfare Services	523,183	0	0	0	523,183
Leisure Time Activities	1,912,169	0	0	0	1,912,169
Community Environment	835,878	0	0	0	835,878
Transportation	6,911,218	0	0	0	6,911,218
General Government	2,124,001	2,131	13,418	0	2,139,550
Capital Outlay	0	0	2,399,353	0	2,399,353
Debt Service:					
Principal Retirement	213,608	842,000	106,832	0	1,162,440
Interest and Fiscal Charges	20,991	383,164	90,198	0	494,353
Total Expenditures	14,747,540	1,227,295	2,609,801	0	18,584,636
Excess (Deficiency) of Revenues Over Expenditures	(612,807)	(853,195)	(1,497,292)	24,994	(2,938,300)
Other Financing Sources (Uses):					
Ohio Public Works Commission Loans Issued	0	0	210,428	0	210,428
Transfers In	857,771	852,926	56,500	0	1,767,197
Transfers Out	(637,815)	0	(102,988)	0	(740,803)
Other Financing Source - Capital Lease	4,941	0	0	0	4,941
Total Other Financing Sources (Uses)	224,897	852,926	163,940	0	1,241,763
Net Change in Fund Balances	(387,910)	(269)	(1,333,352)	24,994	(1,696,537)
Fund Balances at Beginning of Year	8,935,033	72,608	(719,318)	1,051,351	9,339,674
Increase in Inventory Reserve	594	0	0	0	594
Fund Balances End of Year	\$ 8,547,717	\$ 72,339	\$ (2,052,670)	\$ 1,076,345	\$ 7,643,731

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2016**

	Cemetery Fund	Street Construction, Maintenance and Repair Fund	Street Levy Fund	Parks and Recreation Fund
Assets:				
Cash and Cash Equivalents	\$ 253,196	\$ 33,945	\$ 15,091	\$ 546,351
Investments	0	1,308,331	581,658	0
Receivables (net of allowance for doubtful accounts):				
Taxes	29,007	0	1,950,203	435,104
Accounts	0	3,460	0	0
Intergovernmental	0	911,983	116,000	0
Interest	1,081	0	0	0
Loans	0	0	0	0
Inventory of Supplies	0	272,748	0	2,666
Prepaid Items	801	7,742	0	5,489
Total Assets	\$ 284,085	\$ 2,538,209	\$ 2,662,952	\$ 989,610
Liabilities:				
Accounts Payable	\$ 4,727	\$ 76,708	\$ 15,733	\$ 41,692
Accrued Wages and Benefits Payable	6,594	39,349	0	26,425
Retainage Payable	0	0	0	0
Total Liabilities	11,321	116,057	15,733	68,117
Deferred Inflows of Resources:				
Property Taxes	0	0	1,862,000	0
Unavailable Revenue	17,551	608,000	204,203	249,974
Total Deferred Inflows of Resources	17,551	608,000	2,066,203	249,974
Fund Balances:				
Nonspendable	801	280,490	0	8,155
Restricted	254,412	1,533,662	581,016	0
Committed	0	0	0	663,364
Total Fund Balances	255,213	1,814,152	581,016	671,519
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 284,085	\$ 2,538,209	\$ 2,662,952	\$ 989,610

CITY OF LANCASTER, OHIO

Lancaster Public Transit Program Fund	911 Tariff Fund	Edward Byrne Grant Fund	Law Director Victim Assistance Fund	Lancaster Community Development Fund	Police and Fire Pension Fund
\$ 227,044	\$ 184,337	\$ 428	\$ 31,433	\$ 22,985	\$ 24,350
0	0	0	0	0	0
0	0	0	0	0	391,169
3,386	0	0	0	0	0
229,961	4,128	0	9,766	4,559	23,000
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	1,123	0
0	0	0	0	0	0
<u>\$ 460,391</u>	<u>\$ 188,465</u>	<u>\$ 428</u>	<u>\$ 41,199</u>	<u>\$ 28,667</u>	<u>\$ 438,519</u>
\$ 32,248	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
3,915	0	0	1,643	3,430	0
0	0	0	0	0	0
<u>36,163</u>	<u>0</u>	<u>0</u>	<u>1,643</u>	<u>3,430</u>	<u>0</u>
0	0	0	0	0	373,000
0	0	0	0	0	41,169
0	0	0	0	0	414,169
0	0	0	0	1,123	0
424,228	188,465	428	39,556	24,114	24,350
0	0	0	0	0	0
<u>424,228</u>	<u>188,465</u>	<u>428</u>	<u>39,556</u>	<u>25,237</u>	<u>24,350</u>
<u>\$ 460,391</u>	<u>\$ 188,465</u>	<u>\$ 428</u>	<u>\$ 41,199</u>	<u>\$ 28,667</u>	<u>\$ 438,519</u>

(Continued)

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2016**

	Fairfield County Court Surveillance Fund	Indigent Drivers Alcohol Treatment Fund	Law Enforcement and Education Fund	Municipal Court Judicial Computer Fund
Assets:				
Cash and Cash Equivalents	\$ 32,935	\$ 178,986	\$ 87,894	\$ 38,410
Investments	0	0	0	0
Receivables (net of allowance for doubtful accounts):				
Taxes	0	0	0	0
Accounts	0	143	0	0
Intergovernmental	37,500	0	0	0
Interest	0	0	0	0
Loans	0	0	0	0
Inventory of Supplies	0	0	0	0
Prepaid Items	0	0	0	0
Total Assets	\$ 70,435	\$ 179,129	\$ 87,894	\$ 38,410
Liabilities:				
Accounts Payable	\$ 228	\$ 0	\$ 0	\$ 2,809
Accrued Wages and Benefits Payable	0	0	0	0
Retainage Payable	0	0	0	0
Total Liabilities	228	0	0	2,809
Deferred Inflows of Resources:				
Property Taxes	0	0	0	0
Unavailable Revenue	25,000	0	0	0
Total Deferred Inflows of Resources	25,000	0	0	0
Fund Balances:				
Nonspendable	0	0	0	0
Restricted	45,207	179,129	87,894	35,601
Committed	0	0	0	0
Total Fund Balances	45,207	179,129	87,894	35,601
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 70,435	\$ 179,129	\$ 87,894	\$ 38,410

CITY OF LANCASTER, OHIO

Municipal Court Probation Fund	Municipal Court Computerization Fund	Municipal Court Special Projects Fund	Municipal Court Family Violence Fund	Municipal Drug Court Fund	Ohio Peace Officers Training Fund
\$ 78,130	\$ 183,915	\$ 863,187	\$ 18,827	\$ 59,185	\$ 9,615
0	0	0	0	0	0
0	0	0	0	0	0
2,652	0	0	0	0	0
0	0	0	0	8,327	0
0	0	0	0	0	0
0	0	0	0	0	0
856	0	0	0	0	0
0	0	0	0	0	0
<u>\$ 81,638</u>	<u>\$ 183,915</u>	<u>\$ 863,187</u>	<u>\$ 18,827</u>	<u>\$ 67,512</u>	<u>\$ 9,615</u>
\$ 1,404	\$ 8,945	\$ 16,427	\$ 0	\$ 2,979	\$ 0
14,589	2,764	0	0	2,989	0
0	0	107,385	0	0	0
<u>15,993</u>	<u>11,709</u>	<u>123,812</u>	<u>0</u>	<u>5,968</u>	<u>0</u>
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
856	0	0	0	0	0
64,789	172,206	739,375	18,827	61,544	9,615
0	0	0	0	0	0
<u>65,645</u>	<u>172,206</u>	<u>739,375</u>	<u>18,827</u>	<u>61,544</u>	<u>9,615</u>
<u>\$ 81,638</u>	<u>\$ 183,915</u>	<u>\$ 863,187</u>	<u>\$ 18,827</u>	<u>\$ 67,512</u>	<u>\$ 9,615</u>

(Continued)

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2016**

	DARE Officer Retention Grant Fund	Safe Routes to School Fund	.15 Fire Levy Fund	DOJ Equitable Sharing Grant Fund
Assets:				
Cash and Cash Equivalents	\$ 2	\$ 2,780	\$ 19,259	\$ 186
Investments	0	0	742,282	0
Receivables (net of allowance for doubtful accounts):				
Taxes	0	0	435,104	0
Accounts	0	0	0	0
Intergovernmental	0	0	0	0
Interest	0	0	0	0
Loans	0	0	0	0
Inventory of Supplies	0	0	0	0
Prepaid Items	0	0	0	0
Total Assets	\$ 2	\$ 2,780	\$ 1,196,645	\$ 186
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 990	\$ 0
Accrued Wages and Benefits Payable	0	0	49,864	0
Retainage Payable	0	0	0	0
Total Liabilities	0	0	50,854	0
Deferred Inflows of Resources:				
Property Taxes	0	0	0	0
Unavailable Revenue	0	0	249,974	0
Total Deferred Inflows of Resources	0	0	249,974	0
Fund Balances:				
Nonspendable	0	0	0	0
Restricted	2	2,780	895,817	186
Committed	0	0	0	0
Total Fund Balances	2	2,780	895,817	186
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2	\$ 2,780	\$ 1,196,645	\$ 186

CITY OF LANCASTER, OHIO

<u>CDBG Fund</u>	<u>State Highway Fund</u>	<u>Drug Enforcement Fund</u>	<u>Cemetery Interment Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
\$ 63,972	\$ 5,408	\$ 15,482	\$ 30,373	\$ 3,027,706
0	195,231	0	254,824	3,082,326
0	0	0	0	3,240,587
0	0	0	0	9,641
657,318	45,452	0	0	2,047,994
0	3,427	0	126	4,634
1,626,554	0	0	0	1,626,554
0	0	0	0	277,393
0	0	0	0	14,032
<u>\$ 2,347,844</u>	<u>\$ 249,518</u>	<u>\$ 15,482</u>	<u>\$ 285,323</u>	<u>\$ 13,330,867</u>
\$ 23,954	\$ 0	\$ 0	\$ 635	\$ 229,479
0	0	0	0	151,562
0	0	0	0	107,385
<u>23,954</u>	<u>0</u>	<u>0</u>	<u>635</u>	<u>488,426</u>
0	0	0	0	2,235,000
632,470	31,320	0	63	2,059,724
<u>632,470</u>	<u>31,320</u>	<u>0</u>	<u>63</u>	<u>4,294,724</u>
0	0	0	0	291,425
1,691,420	218,198	15,482	284,625	7,592,928
0	0	0	0	663,364
<u>1,691,420</u>	<u>218,198</u>	<u>15,482</u>	<u>284,625</u>	<u>8,547,717</u>
<u>\$ 2,347,844</u>	<u>\$ 249,518</u>	<u>\$ 15,482</u>	<u>\$ 285,323</u>	<u>\$ 13,330,867</u>

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016**

	Cemetery Fund	Street Construction, Maintenance and Repair Fund	Street Levy Fund	Parks and Recreation Fund
Revenues:				
Taxes	\$ 106,321	\$ 0	\$ 1,972,816	\$ 1,594,807
Intergovernmental Revenues	0	1,867,169	263,375	40,000
Charges for Services	175,721	527,607	0	360,428
Licenses, Permits and Fees	0	0	0	760
Investment Earnings	1,863	0	0	0
Special Assessments	0	0	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenue	241	221,695	0	8,123
Total Revenue	<u>284,146</u>	<u>2,616,471</u>	<u>2,236,191</u>	<u>2,004,118</u>
Expenditures:				
Current:				
Security of Persons and Property	0	0	0	0
Public Health and Welfare Services	444,392	0	0	0
Leisure Time Activities	0	0	0	1,912,169
Community Environment	0	0	0	0
Transportation	0	2,843,680	2,152,781	0
General Government	0	0	0	0
Debt Service:				
Principal Retirement	0	93,721	0	0
Interest and Fiscal Charges	0	13,340	0	0
Total Expenditures	<u>444,392</u>	<u>2,950,741</u>	<u>2,152,781</u>	<u>1,912,169</u>
Excess (Deficiency) of Revenues Over Expenditures	(160,246)	(334,270)	83,410	91,949
Other Financing Sources (Uses):				
Transfers In	175,000	352,271	0	5,614
Transfers Out	0	0	0	0
Other Financing Source - Capital Lease	0	0	0	0
Total Other Financing Sources (Uses)	<u>175,000</u>	<u>352,271</u>	<u>0</u>	<u>5,614</u>
Net Change in Fund Balances	14,754	18,001	83,410	97,563
Fund Balances (Deficit) at Beginning of Year	240,459	1,794,986	497,606	574,475
Increase (Decrease) in Inventory Reserve	0	1,165	0	(519)
Fund Balances End of Year	<u>\$ 255,213</u>	<u>\$ 1,814,152</u>	<u>\$ 581,016</u>	<u>\$ 671,519</u>

CITY OF LANCASTER, OHIO

Special Improvement District Fund	Lancaster Public Transit Program Fund	911 Tariff Fund	Edward Byrne Grant Fund	Law Director Victim Assistance Fund	Lancaster Community Development Fund
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	1,158,980	94,136	0	41,882	135,242
0	715,471	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
77,427	0	0	0	0	0
0	0	0	0	0	0
0	117,883	0	0	0	14
<u>77,427</u>	<u>1,992,334</u>	<u>94,136</u>	<u>0</u>	<u>41,882</u>	<u>135,256</u>
0	0	71,066	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
77,427	0	0	0	0	135,920
0	1,914,757	0	0	0	0
0	0	0	0	54,793	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>77,427</u>	<u>1,914,757</u>	<u>71,066</u>	<u>0</u>	<u>54,793</u>	<u>135,920</u>
0	77,577	23,070	0	(12,911)	(664)
0	73,000	0	0	18,615	0
0	0	0	0	0	0
0	4,941	0	0	0	0
<u>0</u>	<u>77,941</u>	<u>0</u>	<u>0</u>	<u>18,615</u>	<u>0</u>
0	155,518	23,070	0	5,704	(664)
0	268,710	165,395	428	33,852	25,461
0	0	0	0	0	440
<u>\$ 0</u>	<u>\$ 424,228</u>	<u>\$ 188,465</u>	<u>\$ 428</u>	<u>\$ 39,556</u>	<u>\$ 25,237</u>

(Continued)

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	Law Enforcement Block Grant Fund	Police and Fire Pension Fund	Fairfield County Court Surveillance Fund	Drivers Alcohol Treatment Fund
Revenues:				
Taxes	\$ 0	\$ 395,500	\$ 0	\$ 0
Intergovernmental Revenues	10,778	46,732	62,500	0
Charges for Services	0	0	0	0
Licenses, Permits and Fees	0	0	0	0
Investment Earnings	0	0	0	0
Special Assessments	0	0	0	0
Fines and Forfeitures	0	0	0	26,214
All Other Revenue	0	0	1	0
Total Revenue	<u>10,778</u>	<u>442,232</u>	<u>62,501</u>	<u>26,214</u>
Expenditures:				
Current:				
Security of Persons and Property	11,128	450,232	59,448	0
Public Health and Welfare Services	0	0	0	0
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Transportation	0	0	0	0
General Government	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	<u>11,128</u>	<u>450,232</u>	<u>59,448</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(350)	(8,000)	3,053	26,214
Other Financing Sources (Uses):				
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Other Financing Source - Capital Lease	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	(350)	(8,000)	3,053	26,214
Fund Balances (Deficit) at Beginning of Year	350	32,350	42,398	152,915
Increase (Decrease) in Inventory Reserve	0	0	(244)	0
Fund Balances End of Year	<u>\$ 0</u>	<u>\$ 24,350</u>	<u>\$ 45,207</u>	<u>\$ 179,129</u>

CITY OF LANCASTER, OHIO

Law Enforcement and Education Fund	Municipal Court Judicial Computer Fund	Municipal Court Probation Fund	Municipal Court Computerization Fund	Municipal Court Special Projects Fund	Municipal Court Family Violence Fund
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
0	0	101,000	0	0	0
0	0	5,178	0	0	392
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
1,234	46,690	313,393	184,784	733,890	0
0	9,447	238	103	4,168	0
1,234	56,137	419,809	184,887	738,058	392
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	65,630	619,670	375,431	859,635	0
0	0	0	0	0	0
0	0	0	0	0	0
0	65,630	619,670	375,431	859,635	0
1,234	(9,493)	(199,861)	(190,544)	(121,577)	392
0	0	133,271	0	100,000	0
0	0	0	0	(476,480)	0
0	0	0	0	0	0
0	0	133,271	0	(376,480)	0
1,234	(9,493)	(66,590)	(190,544)	(498,057)	392
86,660	45,094	132,483	362,750	1,237,432	18,435
0	0	(248)	0	0	0
\$ 87,894	\$ 35,601	\$ 65,645	\$ 172,206	\$ 739,375	\$ 18,827

(Continued)

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	Municipal Drug Court Fund	FEMA Grant Fund	Ohio Peace Officers Training Fund	DARE Officer Retention Grant Fund
Revenues:				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	196,353	61,335	5,280	24,625
Charges for Services	0	0	0	0
Licenses, Permits and Fees	0	0	0	0
Investment Earnings	0	0	0	0
Special Assessments	0	0	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenue	965	0	0	0
Total Revenue	<u>197,318</u>	<u>61,335</u>	<u>5,280</u>	<u>24,625</u>
Expenditures:				
Current:				
Security of Persons and Property	0	0	2,925	39,960
Public Health and Welfare Services	0	0	0	0
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Transportation	0	0	0	0
General Government	148,842	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	<u>148,842</u>	<u>0</u>	<u>2,925</u>	<u>39,960</u>
Excess (Deficiency) of Revenues Over Expenditures	48,476	61,335	2,355	(15,335)
Other Financing Sources (Uses):				
Transfers In	0	0	0	0
Transfers Out	0	(61,335)	0	0
Other Financing Source - Capital Lease	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(61,335)</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balances	48,476	0	2,355	(15,335)
Fund Balances (Deficit) at Beginning of Year	13,068	0	7,260	15,337
Increase (Decrease) in Inventory Reserve	0	0	0	0
Fund Balances End of Year	<u>\$ 61,544</u>	<u>\$ 0</u>	<u>\$ 9,615</u>	<u>\$ 2</u>

CITY OF LANCASTER, OHIO

Safe Routes to School Fund	.15 Fire Levy Fund	DOJ Equitable Sharing Grant Fund	CDBG Fund	State Highway Fund	Drug Enforcement Fund
\$ 0	\$ 1,594,806	\$ 0	\$ 0	\$ 0	\$ 0
53,446	0	0	648,348	93,727	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	2,121	562	19
0	0	0	0	0	0
0	0	0	0	0	10,701
0	0	0	1,818	0	0
<u>53,446</u>	<u>1,594,806</u>	<u>0</u>	<u>652,287</u>	<u>94,289</u>	<u>10,720</u>
0	1,559,945	0	0	0	11,788
57,094	0	0	0	0	0
0	0	0	0	0	0
0	0	0	622,531	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	29,887	0	90,000	0	0
0	1,795	0	5,856	0	0
<u>57,094</u>	<u>1,591,627</u>	<u>0</u>	<u>718,387</u>	<u>0</u>	<u>11,788</u>
(3,648)	3,179	0	(66,100)	94,289	(1,068)
0	0	0	0	0	0
0	0	0	0	(100,000)	0
0	0	0	0	0	0
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(100,000)</u>	<u>0</u>
(3,648)	3,179	0	(66,100)	(5,711)	(1,068)
6,428	892,638	186	1,757,520	223,909	16,550
0	0	0	0	0	0
<u>\$ 2,780</u>	<u>\$ 895,817</u>	<u>\$ 186</u>	<u>\$ 1,691,420</u>	<u>\$ 218,198</u>	<u>\$ 15,482</u>

(Continued)

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	Cemetery Interment Fund	Total Nonmajor Special Revenue Funds
Revenues:		
Taxes	\$ 0	\$ 5,664,250
Intergovernmental Revenues	0	4,904,908
Charges for Services	15,925	1,800,722
Licenses, Permits and Fees	0	760
Investment Earnings	499	5,064
Special Assessments	0	77,427
Fines and Forfeitures	0	1,316,906
All Other Revenue	0	364,696
Total Revenue	<u>16,424</u>	<u>14,134,733</u>
Expenditures:		
Current:		
Security of Persons and Property	0	2,206,492
Public Health and Welfare Services	21,697	523,183
Leisure Time Activities	0	1,912,169
Community Environment	0	835,878
Transportation	0	6,911,218
General Government	0	2,124,001
Debt Service:		
Principal Retirement	0	213,608
Interest and Fiscal Charges	0	20,991
Total Expenditures	<u>21,697</u>	<u>14,747,540</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,273)	(612,807)
Other Financing Sources (Uses):		
Transfers In	0	857,771
Transfers Out	0	(637,815)
Other Financing Source - Capital Lease	0	4,941
Total Other Financing Sources (Uses)	<u>0</u>	<u>224,897</u>
Net Change in Fund Balances	(5,273)	(387,910)
Fund Balances (Deficit) at Beginning of Year	289,898	8,935,033
Increase (Decrease) in Inventory Reserve	0	594
Fund Balances End of Year	<u>\$ 284,625</u>	<u>\$ 8,547,717</u>



CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Debt Service Funds
December 31, 2016**

	General Bond Retirement Fund	Special Assessment Debt Retirement Fund	Total Nonmajor Debt Service Funds
Assets:			
Cash and Cash Equivalents	\$ 0	\$ 72,339	\$ 72,339
Receivables (net of allowance for doubtful accounts):			
Taxes	334,119	0	334,119
Special Assessments	<u>0</u>	<u>180,867</u>	<u>180,867</u>
Total Assets	<u>\$ 334,119</u>	<u>\$ 253,206</u>	<u>\$ 587,325</u>
Liabilities:			
Total Liabilities	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Deferred Inflows of Resources:			
Property Taxes	334,119	0	334,119
Unavailable Revenue	<u>0</u>	<u>180,867</u>	<u>180,867</u>
Total Deferred Inflows of Resources	<u>334,119</u>	<u>180,867</u>	<u>514,986</u>
Fund Balances:			
Restricted	<u>0</u>	<u>72,339</u>	<u>72,339</u>
Total Fund Balances	<u>0</u>	<u>72,339</u>	<u>72,339</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 334,119</u>	<u>\$ 253,206</u>	<u>\$ 587,325</u>

CITY OF LANCASTER, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Debt Service Funds
For the Year Ended December 31, 2016***

	General Bond Retirement Fund	Special Assessment Debt Retirement Fund	Total Nonmajor Debt Service Funds
Revenues:			
Taxes	\$ 330,869	\$ 0	\$ 330,869
Special Assessments	0	43,231	43,231
Total Revenue	<u>330,869</u>	<u>43,231</u>	<u>374,100</u>
Expenditures:			
General Government	0	2,131	2,131
Debt Service:			
Principal Retirement	820,000	22,000	842,000
Interest and Fiscal Charges	375,664	7,500	383,164
Total Expenditures	<u>1,195,664</u>	<u>31,631</u>	<u>1,227,295</u>
Excess (Deficiency) of Revenues Over Expenditures	(864,795)	11,600	(853,195)
Other Financing Sources (Uses):			
Transfers In	852,926	0	852,926
Total Other Financing Sources (Uses)	<u>852,926</u>	<u>0</u>	<u>852,926</u>
Net Change in Fund Balances	(11,869)	11,600	(269)
Fund Balances at Beginning of Year	<u>11,869</u>	<u>60,739</u>	<u>72,608</u>
Fund Balances End of Year	<u>\$ 0</u>	<u>\$ 72,339</u>	<u>\$ 72,339</u>

CITY OF LANCASTER, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2016**

	LDOT Improvement Fund	Parks Improvement Fund	Capital Improvement Fund	Fire Impact - District One Fund
Assets:				
Cash and Cash Equivalents	\$ 50,410	\$ 132,783	\$ 10,472	\$ 632,540
Investments	0	0	403,637	0
Receivables (net of allowance for doubtful accounts):				
Taxes	0	29,007	58,014	0
Accounts	0	0	0	110,972
Intergovernmental	0	0	40,995	0
Total Assets	\$ 50,410	\$ 161,790	\$ 513,118	\$ 743,512
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 40,959	\$ 0
Accrued Interest Payable	0	0	0	0
General Obligation Notes Payable	0	0	0	0
Advances from Other Funds	0	0	0	0
Total Liabilities	0	0	40,959	0
Deferred Inflows of Resources:				
Property Taxes	0	0	0	0
Unavailable Revenue	0	16,665	33,330	0
Total Deferred Inflows of Resources	0	16,665	33,330	0
Fund Balances:				
Committed	50,410	145,125	438,829	743,512
Unassigned	0	0	0	0
Total Fund Balances	50,410	145,125	438,829	743,512
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 50,410	\$ 161,790	\$ 513,118	\$ 743,512

CITY OF LANCASTER, OHIO

Ety Road TIF Project Fund	Columbian Construction Fund	Total Nonmajor Capital Projects Funds
\$ 20,059	\$ 0	\$ 846,264
0	0	403,637
182,988	0	270,009
0	0	110,972
0	0	40,995
<u>\$ 203,047</u>	<u>\$ 0</u>	<u>\$ 1,671,877</u>
\$ 5,800	\$ 0	\$ 46,759
0	444	444
1,457,761	1,800,000	3,257,761
186,600	0	186,600
<u>1,650,161</u>	<u>1,800,444</u>	<u>3,491,564</u>
182,988	0	182,988
0	0	49,995
<u>182,988</u>	<u>0</u>	<u>232,983</u>
0	0	1,377,876
<u>(1,630,102)</u>	<u>(1,800,444)</u>	<u>(3,430,546)</u>
<u>(1,630,102)</u>	<u>(1,800,444)</u>	<u>(2,052,670)</u>
<u>\$ 203,047</u>	<u>\$ 0</u>	<u>\$ 1,671,877</u>

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balance
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2016**

	LDOT Improvement Fund	Parks Improvement Fund	Capital Improvement Fund	Fire Impact - District One Fund
Revenues:				
Taxes	\$ 0	\$ 106,321	\$ 212,641	\$ 0
Intergovernmental Revenues	26,140	0	174,479	0
Charges for Services	0	0	0	273,162
All Other Revenue	40,000	0	32,640	0
Total Revenue	66,140	106,321	419,760	273,162
Expenditures:				
Current:				
General Government	0	0	0	0
Capital Outlay	346,536	173,340	369,845	56,000
Debt Service:				
Principal Retirement	0	0	0	106,832
Interest and Fiscal Charges	0	0	0	20,516
Total Expenditures	346,536	173,340	369,845	183,348
Excess (Deficiency) of Revenues Over Expenditures	(280,396)	(67,019)	49,915	89,814
Other Financing Sources (Uses):				
Ohio Public Works Commission Loans Issued	210,428	0	0	0
Transfers In	0	0	38,500	0
Transfers Out	(38,500)	0	(64,488)	0
Total Other Financing Sources (Uses)	171,928	0	(25,988)	0
Net Change in Fund Balances	(108,468)	(67,019)	23,927	89,814
Fund Balances at Beginning of Year	158,878	212,144	414,902	653,698
Fund Balances End of Year	\$ 50,410	\$ 145,125	\$ 438,829	\$ 743,512

CITY OF LANCASTER, OHIO

Ety Road TIF Project Fund	Columbian Construction Fund	Total Nonmajor Capital Projects Funds
\$ 247,126	\$ 0	\$ 566,088
0	0	200,619
0	0	273,162
0	0	72,640
<u>247,126</u>	<u>0</u>	<u>1,112,509</u>
13,418	0	13,418
91,608	1,362,024	2,399,353
0	0	106,832
<u>51,682</u>	<u>18,000</u>	<u>90,198</u>
<u>156,708</u>	<u>1,380,024</u>	<u>2,609,801</u>
90,418	(1,380,024)	(1,497,292)
0	0	210,428
0	18,000	56,500
<u>0</u>	<u>0</u>	<u>(102,988)</u>
<u>0</u>	<u>18,000</u>	<u>163,940</u>
90,418	(1,362,024)	(1,333,352)
<u>(1,720,520)</u>	<u>(438,420)</u>	<u>(719,318)</u>
<u>\$ (1,630,102)</u>	<u>\$ (1,800,444)</u>	<u>\$ (2,052,670)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2016***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 12,438,271	\$ 12,438,271	\$ 13,710,942	\$ 1,272,671
Intergovernmental Revenues	872,135	872,135	1,074,951	202,816
Charges for Services	4,156,518	4,156,518	3,867,309	(289,209)
License, Permits and Fees	22,400	22,400	20,880	(1,520)
Investment Earnings	222,824	222,824	336,612	113,788
Fines and Forfeitures	763,450	763,450	696,431	(67,019)
All Other Revenues	49,000	49,000	131,245	82,245
Total Revenues	18,524,598	18,524,598	19,838,370	1,313,772
Expenditures:				
Security of Persons and Property:				
Street Lighting:				
Operations and Maintenance	333,958	333,958	312,728	21,230
Total Security of Persons and Property	333,958	333,958	312,728	21,230
Public Health and Welfare Services:				
Health:				
Operations and Maintenance	294,934	294,934	294,934	0
Total Health	294,934	294,934	294,934	0
Assistance to Needy:				
Operations and Maintenance	3,000	6,000	4,633	1,367
Total Public Health and Welfare Services	297,934	300,934	299,567	1,367
Community Environment:				
Zoning, Planning, Tree Commissions:				
Personal Services	7,441	28,091	17,132	10,959
Operations and Maintenance	111,960	91,310	69,848	21,462
Total Zoning, Planning, Tree Commission	119,401	119,401	86,980	32,421
Economic Development:				
Personal Services	23,558	23,558	20,138	3,420
Operations and Maintenance	61,604	61,604	43,135	18,469
Total Economic Development	85,162	85,162	63,273	21,889
Total Community Environment	204,563	204,563	150,253	54,310

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2016***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
General Government:				
Council:				
Personal Services	119,535	119,535	119,355	180
Operations and Maintenance	5,776	5,777	5,005	772
Total Council	125,311	125,312	124,360	952
Mayor:				
Personal Services	170,517	170,517	119,839	50,678
Operations and Maintenance	11,034	11,534	10,936	598
Capital Outlay	500	0	0	0
Total Mayor	182,051	182,051	130,775	51,276
Personnel:				
Personal Services	23,095	101,633	96,717	4,916
Operations and Maintenance	18,041	18,041	5,719	12,322
Total Personnel	41,136	119,674	102,436	17,238
Auditor:				
Personal Services	392,724	392,724	378,192	14,532
Operations and Maintenance	31,987	31,987	19,531	12,456
Total Auditor	424,711	424,711	397,723	26,988
Treasurer:				
Personal Services	30,034	30,034	29,408	626
Operations and Maintenance	4,782	4,782	1,728	3,054
Total Treasurer	34,816	34,816	31,136	3,680
Law Director:				
Personal Services	533,122	530,500	527,413	3,087
Operations and Maintenance	7,880	6,520	4,520	2,000
Capital Outlay	3,136	3,136	2,670	466
Total Law Director	544,138	540,156	534,603	5,553
Law Director-Prosecution Contract:				
Personal Services	166,153	168,775	165,549	3,226
Operations and Maintenance	109,801	114,523	98,479	16,044
Capital Outlay	3,000	0	0	0
Total Law Director-Prosecution Contract	278,954	283,298	264,028	19,270

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2016***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Law Director-Code Enforcement:				
Personal Services	114,822	120,812	112,523	8,289
Operations and Maintenance	49,035	49,035	44,344	4,691
Total Law Director-Code Enforcement	163,857	169,847	156,867	12,980
Municipal Court:				
Personal Services	867,117	875,867	873,520	2,347
Operations and Maintenance	100,507	91,757	87,839	3,918
Total Municipal Court	967,624	967,624	961,359	6,265
Judicial:				
Personal Services	792,550	792,550	762,359	30,191
Operations and Maintenance	62,308	66,908	58,962	7,946
Capital Outlay	10,000	5,400	4,741	659
Total Judicial	864,858	864,858	826,062	38,796
Civil Service:				
Personal Services	6,475	6,475	5,744	731
Operations and Maintenance	14,110	20,110	19,196	914
Total Civil Service	20,585	26,585	24,940	1,645
City Hall Maintenance:				
Personal Services	62,720	62,720	60,933	1,787
Operations and Maintenance	123,158	142,838	132,051	10,787
Capital Outlay	3,705	4,025	4,025	0
Total City Hall Maintenance	189,583	209,583	197,009	12,574
City Hall Maintenance-Annex:				
Operations and Maintenance	42,944	42,944	34,946	7,998
Total City Hall Maintenance-Annex	42,944	42,944	34,946	7,998
Columbian Building:				
Fuel Depot:				
Operations and Maintenance	615,500	615,500	323,469	292,031
Total Fuel Depot	615,500	615,500	323,469	292,031
Service Safety Director:				
Personal Services	207,525	210,415	198,262	12,153
Operations and Maintenance	10,129	10,129	7,216	2,913
Total Service Safety Director	217,654	220,544	205,478	15,066

(Continued)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2016***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Engineer:				
Personal Services	329,600	329,600	322,805	6,795
Operations and Maintenance	44,559	44,559	30,219	14,340
Capital Outlay	2,400	2,400	2,097	303
Total Engineer	376,559	376,559	355,121	21,438
Certified Building Inspection:				
Personal Services	339,500	339,500	294,761	44,739
Operations and Maintenance	130,123	161,523	151,093	10,430
Capital Outlay	3,100	2,700	2,291	409
Total Certified Building Inspection	472,723	503,723	448,145	55,578
Administration Support:				
Personal Services	34,866	34,866	19,666	15,200
Operations and Maintenance	251,182	251,182	214,167	37,015
Total Administration Support	286,048	286,048	233,833	52,215
Miscellaneous:				
Personal Services	305,000	303,000	192,652	110,348
Operations and Maintenance	770,797	770,576	912,533	(141,957)
Total Miscellaneous	1,075,797	1,073,576	1,105,185	(31,609)
Income Tax:				
Personal Services	296,500	296,500	269,233	27,267
Operations and Maintenance	663,555	769,555	736,591	32,964
Capital Outlay	10,000	4,000	2,412	1,588
Total Income Tax	970,055	1,070,055	1,008,236	61,819
Total General Government	7,894,904	8,137,464	7,465,711	671,753
Debt Services:				
Principal Retirement	51,682	66,918	63,724	3,194
Interest and Fiscal Charges	11,690	13,666	13,643	23
Total Expenditures	8,794,731	9,057,503	8,305,626	751,877
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,729,867	9,467,095	11,532,744	2,065,649

(Continued)

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Other Financing Sources (Uses):				
Transfers In	0	0	43,167	43,167
Transfers Out	<u>(11,926,557)</u>	<u>(12,123,741)</u>	<u>(10,923,356)</u>	<u>1,200,385</u>
Total Other Financing Sources (Uses)	<u>(11,926,557)</u>	<u>(12,123,741)</u>	<u>(10,880,189)</u>	<u>1,243,552</u>
Net Change in Fund Balance	(2,196,690)	(2,656,646)	652,555	3,309,201
Fund Balance at Beginning of Year	5,895,612	5,895,612	5,895,612	0
Prior Year Encumbrances	<u>199,368</u>	<u>199,368</u>	<u>199,368</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 3,898,290</u>	<u>\$ 3,438,334</u>	<u>\$ 6,747,535</u>	<u>\$ 3,309,201</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Special Revenue Fund - .45 Police and Fire Levy Fund
For the Year Ended December 31, 2016***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 4,792,346	\$ 4,792,346	\$ 4,792,346	\$ 0
Intergovernmental Revenues	0	1,500	6,880	5,380
All Other Revenues	0	28,657	28,657	0
Total Revenues	4,792,346	4,822,503	4,827,883	5,380
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	8,172,170	7,855,940	7,720,231	135,709
Operations and Maintenance	551,953	550,680	510,864	39,816
Capital Outlay	123,391	163,530	158,736	4,794
Total Police	8,847,514	8,570,150	8,389,831	180,319
Fire:				
Personal Services	5,896,795	5,736,794	5,719,810	16,984
Operations and Maintenance	534,533	621,497	520,387	101,110
Capital Outlay	206,616	445,059	284,841	160,218
Total Fire	6,637,944	6,803,350	6,525,038	278,312
Total Expenditures	15,485,458	15,373,500	14,914,869	458,631
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,693,112)	(10,550,997)	(10,086,986)	464,011
Other Financing Sources (Uses):				
Transfers In	10,756,356	10,896,240	9,712,724	(1,183,516)
Other Financial Sources - Capital Lease	0	239,128	239,128	0
Total Other Financing Sources (Uses)	10,756,356	11,135,368	9,951,852	(1,183,516)
Net Change in Fund Balance	63,244	584,371	(135,134)	(719,505)
Fund Balance at Beginning of Year	79,952	79,952	79,952	0
Prior Year Encumbrances	295,006	295,006	295,006	0
Fund Balance at End of Year	\$ 438,202	\$ 959,329	\$ 239,824	\$ (719,505)

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016**

CEMETERY FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 106,497	\$ 106,497	\$ 106,497	\$ 0
Charges for Services	204,500	204,500	175,721	(28,779)
Investment Earnings	1,500	1,500	3,099	1,599
All Other Revenues	150	150	241	91
Total Revenues	<u>312,647</u>	<u>312,647</u>	<u>285,558</u>	<u>(27,089)</u>
Expenditures:				
Public Health and Welfare Services:				
Personal Services	333,488	333,888	305,231	28,657
Operations and Maintenance	155,853	155,453	144,968	10,485
Total Expenditures	<u>489,341</u>	<u>489,341</u>	<u>450,199</u>	<u>39,142</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(176,694)	(176,694)	(164,641)	12,053
Other Financing Sources (Uses):				
Transfers In	175,000	175,000	175,000	0
Total Other Financing Sources (Uses)	<u>175,000</u>	<u>175,000</u>	<u>175,000</u>	<u>0</u>
Net Change in Fund Balance	(1,694)	(1,694)	10,359	12,053
Fund Balance at Beginning of Year	230,159	230,159	230,159	0
Prior Year Encumbrances	5,331	5,331	5,331	0
Fund Balance at End of Year	<u>\$ 233,796</u>	<u>\$ 233,796</u>	<u>\$ 245,849</u>	<u>\$ 12,053</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND				
Revenues:				
Intergovernmental Revenues	\$ 1,881,000	\$ 1,881,000	\$ 1,860,442	\$ (20,558)
Charges for Services	662,100	662,100	527,607	(134,493)
All Other Revenues	145,000	311,220	218,335	(92,885)
Total Revenues	2,688,100	2,854,320	2,606,384	(247,936)
Expenditures:				
Transportation:				
Personal Services	1,893,500	1,926,260	1,748,295	177,965
Operations and Maintenance	878,857	983,573	912,603	70,970
Capital Outlay	290,000	391,183	237,036	154,147
Total Transportation	3,062,357	3,301,016	2,897,934	403,082
Debt Service:				
Principal Retirement	0	93,721	93,721	0
Interest and Fiscal Charges	0	13,340	13,340	0
Total Debt Service	0	107,061	107,061	0
Total Expenditures	3,062,357	3,408,077	3,004,995	403,082
Excess (Deficiency) of Revenues Over (Under) Expenditures	(374,257)	(553,757)	(398,611)	155,146
Other Financing Sources (Uses):				
Transfers In	349,000	349,000	352,271	3,271
Total Other Financing Sources (Uses)	349,000	349,000	352,271	3,271
Net Change in Fund Balance	(25,257)	(204,757)	(46,340)	158,417
Fund Balance at Beginning of Year	1,266,156	1,266,156	1,266,156	0
Prior Year Encumbrances	27,116	27,116	27,116	0
Fund Balance at End of Year	\$ 1,268,015	\$ 1,088,515	\$ 1,246,932	\$ 158,417

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 2,089,000	\$ 2,089,000	\$ 1,972,816	\$ (116,184)
Intergovernmental Revenues	<u>0</u>	<u>30,631</u>	<u>263,375</u>	<u>232,744</u>
Total Revenues	<u>2,089,000</u>	<u>2,119,631</u>	<u>2,236,191</u>	<u>116,560</u>
Expenditures:				
Transportation:				
Operations and Maintenance	2,179,000	2,391,630	2,161,515	230,115
Capital Outlay	<u>0</u>	<u>18,000</u>	<u>16,331</u>	<u>1,669</u>
Total Expenditures	<u>2,179,000</u>	<u>2,409,630</u>	<u>2,177,846</u>	<u>231,784</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(90,000)	(289,999)	58,345	348,344
Fund Balance at Beginning of Year	<u>497,606</u>	<u>497,606</u>	<u>497,606</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 407,606</u>	<u>\$ 207,607</u>	<u>\$ 555,951</u>	<u>\$ 348,344</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

PARKS AND RECREATION FUND				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 1,597,449	\$ 1,597,449	\$ 1,597,449	\$ 0
Intergovernmental Revenues	40,000	40,000	40,000	0
Charges for Services	303,000	303,000	363,198	60,198
Licenses, Permits and Fees	0	0	760	760
All Other Revenues	12,000	12,000	17,118	5,118
Total Revenues	<u>1,952,449</u>	<u>1,952,449</u>	<u>2,018,525</u>	<u>66,076</u>
Expenditures:				
Leisure Time Activities:				
Personal Services	1,356,769	1,358,569	1,273,004	85,565
Operations and Maintenance	668,218	683,188	628,983	54,205
Capital Outlay	48,000	31,229	30,029	1,200
Total Expenditures	<u>2,072,987</u>	<u>2,072,986</u>	<u>1,932,016</u>	<u>140,970</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(120,538)	(120,537)	86,509	207,046
Other Financing Sources (Uses):				
Transfers In	0	0	5,614	5,614
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>5,614</u>	<u>5,614</u>
Net Change in Fund Balance	(120,538)	(120,537)	92,123	212,660
Fund Balance at Beginning of Year	409,652	409,652	409,652	0
Prior Year Encumbrances	8,171	8,171	8,171	0
Fund Balance at End of Year	<u>\$ 297,285</u>	<u>\$ 297,286</u>	<u>\$ 509,946</u>	<u>\$ 212,660</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Special Assessments	<u>\$ 75,800</u>	<u>\$ 77,427</u>	<u>\$ 77,427</u>	<u>\$ 0</u>
Total Revenues	<u>75,800</u>	<u>77,427</u>	<u>77,427</u>	<u>0</u>
Expenditures:				
Community Environment:				
Operations and Maintenance	<u>75,800</u>	<u>77,427</u>	<u>77,427</u>	<u>0</u>
Total Expenditures	<u>75,800</u>	<u>77,427</u>	<u>77,427</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

LANCASTER PUBLIC TRANSIT PROGRAM FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 1,206,177	\$ 1,206,177	\$ 936,476	\$ (269,701)
Charges for Services	718,000	718,000	713,280	(4,720)
All Other Revenues	40,000	40,000	117,688	77,688
Total Revenues	<u>1,964,177</u>	<u>1,964,177</u>	<u>1,767,444</u>	<u>(196,733)</u>
Expenditures:				
Transportation:				
Personal Services	168,162	166,133	160,568	5,565
Operations and Maintenance	1,643,136	1,587,441	1,507,246	80,195
Capital Outlay	259,247	284,860	273,188	11,672
Total Expenditures	<u>2,070,545</u>	<u>2,038,434</u>	<u>1,941,002</u>	<u>97,432</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(106,368)	(74,257)	(173,558)	(99,301)
Other Financing Sources (Uses):				
Transfers In	73,000	73,000	73,000	0
Total Other Financing Sources (Uses)	<u>73,000</u>	<u>73,000</u>	<u>73,000</u>	<u>0</u>
Net Change in Fund Balance	(33,368)	(1,257)	(100,558)	(99,301)
Fund Balance at Beginning of Year	251,822	251,822	251,822	0
Prior Year Encumbrances	33,884	33,884	33,884	0
Fund Balance at End of Year	<u>\$ 252,338</u>	<u>\$ 284,449</u>	<u>\$ 185,148</u>	<u>\$ (99,301)</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	<u>\$ 50,000</u>	<u>\$ 75,500</u>	<u>\$ 90,008</u>	<u>\$ 14,508</u>
Total Revenues	<u>50,000</u>	<u>75,500</u>	<u>90,008</u>	<u>14,508</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	0	14,790	9,914	4,876
Operations and Maintenance	8,000	148,400	146,619	1,781
Capital Outlay	<u>56,000</u>	<u>56,000</u>	<u>54,933</u>	<u>1,067</u>
Total Expenditures	<u>64,000</u>	<u>219,190</u>	<u>211,466</u>	<u>7,724</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,000)	(143,690)	(121,458)	22,232
Fund Balance at Beginning of Year	<u>165,395</u>	<u>165,395</u>	<u>165,395</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 151,395</u>	<u>\$ 21,705</u>	<u>\$ 43,937</u>	<u>\$ 22,232</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
Fund Balance at Beginning of Year	<u>428</u>	<u>428</u>	<u>428</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 428</u>	<u>\$ 428</u>	<u>\$ 428</u>	<u>\$ 0</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	<u>\$ 37,228</u>	<u>\$ 37,228</u>	<u>\$ 43,659</u>	<u>\$ 6,431</u>
Total Revenues	<u>37,228</u>	<u>37,228</u>	<u>43,659</u>	<u>6,431</u>
Expenditures:				
General Government:				
Personal Services	<u>55,843</u>	<u>55,843</u>	<u>54,656</u>	<u>1,187</u>
Total Expenditures	<u>55,843</u>	<u>55,843</u>	<u>54,656</u>	<u>1,187</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(18,615)	(18,615)	(10,997)	7,618
Other Financing Sources (Uses):				
Transfers In	<u>18,615</u>	<u>18,615</u>	<u>18,615</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>18,615</u>	<u>18,615</u>	<u>18,615</u>	<u>0</u>
Net Change in Fund Balance	0	0	7,618	7,618
Fund Balance at Beginning of Year	<u>23,815</u>	<u>23,815</u>	<u>23,815</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 23,815</u>	<u>\$ 23,815</u>	<u>\$ 31,433</u>	<u>\$ 7,618</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 143,800	\$ 143,800	\$ 130,683	\$ (13,117)
All Other Revenues	<u>0</u>	<u>0</u>	<u>14</u>	<u>14</u>
Total Revenues	<u>143,800</u>	<u>143,800</u>	<u>130,697</u>	<u>(13,103)</u>
Expenditures:				
Community Environment:				
Personal Services	139,800	139,800	136,029	3,771
Operations and Maintenance	<u>4,697</u>	<u>4,697</u>	<u>2,368</u>	<u>2,329</u>
Total Expenditures	<u>144,497</u>	<u>144,497</u>	<u>138,397</u>	<u>6,100</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(697)	(697)	(7,700)	(7,003)
Fund Balance at Beginning of Year	28,574	28,574	28,574	0
Prior Year Encumbrances	<u>697</u>	<u>697</u>	<u>697</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 28,574</u>	<u>\$ 28,574</u>	<u>\$ 21,571</u>	<u>\$ (7,003)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	<u>\$ 0</u>	<u>\$ 22,247</u>	<u>\$ 10,778</u>	<u>\$ (11,469)</u>
Total Revenues	<u>0</u>	<u>22,247</u>	<u>10,778</u>	<u>(11,469)</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	<u>0</u>	<u>11,128</u>	<u>11,128</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>11,128</u>	<u>11,128</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	11,119	(350)	(11,469)
Fund Balance at Beginning of Year	<u>350</u>	<u>350</u>	<u>350</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 350</u>	<u>\$ 11,469</u>	<u>\$ 0</u>	<u>\$ (11,469)</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 418,000	\$ 418,000	\$ 395,500	\$ (22,500)
Intergovernmental Revenues	<u>0</u>	<u>0</u>	<u>46,732</u>	<u>46,732</u>
Total Revenues	<u>418,000</u>	<u>418,000</u>	<u>442,232</u>	<u>24,232</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	441,950	441,950	441,950	0
Operations and Maintenance	<u>8,400</u>	<u>8,400</u>	<u>8,282</u>	<u>118</u>
Total Expenditures	<u>450,350</u>	<u>450,350</u>	<u>450,232</u>	<u>118</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,350)	(32,350)	(8,000)	24,350
Fund Balance at Beginning of Year	<u>32,350</u>	<u>32,350</u>	<u>32,350</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 24,350</u>	<u>\$ 24,350</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 65,000	\$ 65,000	\$ 50,000	\$ (15,000)
All Other Revenues	<u>0</u>	<u>0</u>	<u>1</u>	<u>1</u>
Total Revenues	<u>65,000</u>	<u>65,000</u>	<u>50,001</u>	<u>(14,999)</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	<u>65,000</u>	<u>65,000</u>	<u>63,831</u>	<u>1,169</u>
Total Expenditures	<u>65,000</u>	<u>65,000</u>	<u>63,831</u>	<u>1,169</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	(13,830)	(13,830)
Fund Balance at Beginning of Year	<u>46,765</u>	<u>46,765</u>	<u>46,765</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 46,765</u>	<u>\$ 46,765</u>	<u>\$ 32,935</u>	<u>\$ (13,830)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ 26,191</u>	<u>\$ (23,809)</u>
Total Revenues	<u>50,000</u>	<u>50,000</u>	<u>26,191</u>	<u>(23,809)</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	<u>100,000</u>	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Total Expenditures	<u>100,000</u>	<u>100,000</u>	<u>0</u>	<u>100,000</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,000)	(50,000)	26,191	76,191
Fund Balance at Beginning of Year	<u>150,936</u>	<u>150,936</u>	<u>150,936</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 100,936</u>	<u>\$ 100,936</u>	<u>\$ 177,127</u>	<u>\$ 76,191</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,409</u>	<u>\$ 1,409</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>1,409</u>	<u>1,409</u>
Expenditures:				
Security of Persons and Property:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	1,409	1,409
Fund Balance at Beginning of Year	<u>86,410</u>	<u>86,410</u>	<u>86,410</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 86,410</u>	<u>\$ 86,410</u>	<u>\$ 87,819</u>	<u>\$ 1,409</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 45,000	\$ 45,000	\$ 46,778	\$ 1,778
All Other Revenues	<u>0</u>	<u>0</u>	<u>9,447</u>	<u>9,447</u>
Total Revenues	<u>45,000</u>	<u>45,000</u>	<u>56,225</u>	<u>11,225</u>
Expenditures:				
General Government:				
Operations and Maintenance	35,542	26,542	21,606	4,936
Capital Outlay	<u>43,456</u>	<u>52,456</u>	<u>50,307</u>	<u>2,149</u>
Total Expenditures	<u>78,998</u>	<u>78,998</u>	<u>71,913</u>	<u>7,085</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(33,998)	(33,998)	(15,688)	18,310
Fund Balance at Beginning of Year	7,355	7,355	7,355	0
Prior Year Encumbrances	<u>33,999</u>	<u>33,999</u>	<u>33,999</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 7,356</u>	<u>\$ 7,356</u>	<u>\$ 25,666</u>	<u>\$ 18,310</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016**

MUNICIPAL COURT PROBATION FUND				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 41,000	\$ 41,000	\$ 101,000	\$ 60,000
Charges for Services	0	0	5,178	5,178
Fines and Forfeitures	401,000	401,000	304,082	(96,918)
All Other Revenues	100	100	238	138
Total Revenues	<u>442,100</u>	<u>442,100</u>	<u>410,498</u>	<u>(31,602)</u>
Expenditures:				
General Government:				
Personal Services	591,433	625,383	603,478	21,905
Operations and Maintenance	17,500	17,500	15,654	1,846
Total Expenditures	<u>608,933</u>	<u>642,883</u>	<u>619,132</u>	<u>23,751</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(166,833)	(200,783)	(208,634)	(7,851)
Other Financing Sources (Uses):				
Transfers In	133,271	133,271	133,271	0
Total Other Financing Sources (Uses)	<u>133,271</u>	<u>133,271</u>	<u>133,271</u>	<u>0</u>
Net Change in Fund Balance	(33,562)	(67,512)	(75,363)	(7,851)
Fund Balance at Beginning of Year	126,058	126,058	126,058	0
Fund Balance at End of Year	<u>\$ 92,496</u>	<u>\$ 58,546</u>	<u>\$ 50,695</u>	<u>\$ (7,851)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 190,000	\$ 190,000	\$ 185,799	\$ (4,201)
All Other Revenues	<u>0</u>	<u>0</u>	<u>103</u>	<u>103</u>
Total Revenues	<u>190,000</u>	<u>190,000</u>	<u>185,902</u>	<u>(4,098)</u>
Expenditures:				
General Government:				
Personal Services	106,380	106,584	104,484	2,100
Operations and Maintenance	233,417	238,417	161,655	76,762
Capital Outlay	<u>164,410</u>	<u>159,207</u>	<u>110,820</u>	<u>48,387</u>
Total Expenditures	<u>504,207</u>	<u>504,208</u>	<u>376,959</u>	<u>127,249</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(314,207)	(314,208)	(191,057)	123,151
Fund Balance at Beginning of Year	274,219	274,219	274,219	0
Prior Year Encumbrances	<u>84,207</u>	<u>84,207</u>	<u>84,207</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 44,219</u>	<u>\$ 44,218</u>	<u>\$ 167,369</u>	<u>\$ 123,151</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016**

MUNICIPAL COURT SPECIAL PROJECTS FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Fines and Forfeitures	\$ 700,000	\$ 700,000	\$ 731,997	\$ 31,997
All Other Revenues	<u>0</u>	<u>0</u>	<u>4,168</u>	<u>4,168</u>
Total Revenues	<u>700,000</u>	<u>700,000</u>	<u>736,165</u>	<u>36,165</u>
Expenditures:				
General Government:				
Personal Services	0	452	452	0
Operations and Maintenance	182,610	382,158	296,838	85,320
Capital Outlay	<u>1,163,000</u>	<u>986,520</u>	<u>871,669</u>	<u>114,851</u>
Total Expenditures	<u>1,345,610</u>	<u>1,369,130</u>	<u>1,168,959</u>	<u>200,171</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(645,610)	(669,130)	(432,794)	236,336
Other Financing Sources (Uses):				
Transfers In	100,000	100,000	100,000	0
Transfers Out	<u>0</u>	<u>(476,480)</u>	<u>(476,480)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>100,000</u>	<u>(376,480)</u>	<u>(376,480)</u>	<u>0</u>
Net Change in Fund Balance	(545,610)	(1,045,610)	(809,274)	236,336
Fund Balance at Beginning of Year	1,113,528	1,113,528	1,113,528	0
Prior Year Encumbrances	<u>100,810</u>	<u>100,810</u>	<u>100,810</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 668,728</u>	<u>\$ 168,728</u>	<u>\$ 405,064</u>	<u>\$ 236,336</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 392</u>	<u>\$ 392</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>392</u>	<u>392</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	392	392
Fund Balance at Beginning of Year	<u>18,420</u>	<u>18,420</u>	<u>18,420</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 18,420</u>	<u>\$ 18,420</u>	<u>\$ 18,812</u>	<u>\$ 392</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

MUNICIPAL DRUG COURT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 85,000	\$ 85,000	\$ 193,858	\$ 108,858
All Other Revenues	<u>0</u>	<u>0</u>	<u>965</u>	<u>965</u>
Total Revenues	<u>85,000</u>	<u>85,000</u>	<u>194,823</u>	<u>109,823</u>
Expenditures:				
General Government:				
Personal Services	113,724	113,724	111,831	1,893
Operations and Maintenance	<u>43,500</u>	<u>43,500</u>	<u>35,462</u>	<u>8,038</u>
Total Expenditures	<u>157,224</u>	<u>157,224</u>	<u>147,293</u>	<u>9,931</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(72,224)	(72,224)	47,530	119,754
Other Financing Sources (Uses):				
Transfers In	<u>70,000</u>	<u>70,000</u>	<u>0</u>	<u>(70,000)</u>
Total Other Financing Sources (Uses)	<u>70,000</u>	<u>70,000</u>	<u>0</u>	<u>(70,000)</u>
Net Change in Fund Balance	(2,224)	(2,224)	47,530	49,754
Fund Balance at Beginning of Year	<u>11,655</u>	<u>11,655</u>	<u>11,655</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 9,431</u>	<u>\$ 9,431</u>	<u>\$ 59,185</u>	<u>\$ 49,754</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016**

FEMA GRANT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 1,556,408	\$ 1,556,408	\$ 61,335	\$ (1,495,073)
Total Revenues	<u>1,556,408</u>	<u>1,556,408</u>	<u>61,335</u>	<u>(1,495,073)</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,556,408	1,556,408	61,335	(1,495,073)
Other Financing Sources (Uses):				
Transfers Out	<u>0</u>	<u>(329,342)</u>	<u>(61,335)</u>	<u>268,007</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(329,342)</u>	<u>(61,335)</u>	<u>268,007</u>
Net Change in Fund Balance	1,556,408	1,227,066	0	(1,227,066)
Fund Balance at Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,556,408</u>	<u>\$ 1,227,066</u>	<u>\$ 0</u>	<u>\$ (1,227,066)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 5,280</u>	<u>\$ 5,280</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>5,280</u>	<u>5,280</u>
Expenditures:				
Security of Persons and Property:				
Operations and Maintenance	<u>0</u>	<u>5,500</u>	<u>2,925</u>	<u>2,575</u>
Total Expenditures	<u>0</u>	<u>5,500</u>	<u>2,925</u>	<u>2,575</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(5,500)	2,355	7,855
Fund Balance at Beginning of Year	<u>7,260</u>	<u>7,260</u>	<u>7,260</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 7,260</u>	<u>\$ 1,760</u>	<u>\$ 9,615</u>	<u>\$ 7,855</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	<u>\$ 0</u>	<u>\$ 24,625</u>	<u>\$ 24,625</u>	<u>\$ 0</u>
Total Revenues	<u>0</u>	<u>24,625</u>	<u>24,625</u>	<u>0</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	<u>0</u>	<u>15,803</u>	<u>15,803</u>	<u>0</u>
Operations and Maintenance	<u>0</u>	<u>24,159</u>	<u>24,157</u>	<u>2</u>
Total Expenditures	<u>0</u>	<u>39,962</u>	<u>39,960</u>	<u>2</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>(15,337)</u>	<u>(15,335)</u>	<u>2</u>
Fund Balance at Beginning of Year	<u>15,337</u>	<u>15,337</u>	<u>15,337</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 15,337</u>	<u>\$ 0</u>	<u>\$ 2</u>	<u>\$ 2</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	<u>\$ 0</u>	<u>\$ 57,094</u>	<u>\$ 57,094</u>	<u>\$ 0</u>
Total Revenues	<u>0</u>	<u>57,094</u>	<u>57,094</u>	<u>0</u>
Expenditures:				
Public Health and Welfare Services:				
Operations and Maintenance	<u>0</u>	<u>57,094</u>	<u>57,094</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>57,094</u>	<u>57,094</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance at Beginning of Year	<u>2,780</u>	<u>2,780</u>	<u>2,780</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 2,780</u>	<u>\$ 2,780</u>	<u>\$ 2,780</u>	<u>\$ 0</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	.15 FIRE LEVY FUND			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 1,597,449	\$ 1,597,448	\$ 1,597,448	\$ 0
Total Revenues	<u>1,597,449</u>	<u>1,597,448</u>	<u>1,597,448</u>	<u>0</u>
Expenditures:				
Security of Persons and Property:				
Personal Services	1,657,153	1,657,153	1,505,469	151,684
Operations and Maintenance	33,505	33,505	33,425	80
Capital Outlay	<u>78,912</u>	<u>78,912</u>	<u>0</u>	<u>78,912</u>
Total Security of Persons and Property	1,769,570	1,769,570	1,538,894	230,676
Debt Service:				
Principal Retirement	22,452	29,956	29,887	69
Interest and Fiscal Charges	<u>825</u>	<u>1,798</u>	<u>1,795</u>	<u>3</u>
Total Debt Service	<u>23,277</u>	<u>31,754</u>	<u>31,682</u>	<u>72</u>
Total Expenditures	<u>1,792,847</u>	<u>1,801,324</u>	<u>1,570,576</u>	<u>230,748</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(195,398)	(203,876)	26,872	230,748
Fund Balance at Beginning of Year	653,051	653,051	653,051	0
Prior Year Encumbrances	<u>80,561</u>	<u>80,561</u>	<u>80,561</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 538,214</u>	<u>\$ 529,736</u>	<u>\$ 760,484</u>	<u>\$ 230,748</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0	0
Fund Balance at Beginning of Year	<u>186</u>	<u>186</u>	<u>186</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 186</u>	<u>\$ 186</u>	<u>\$ 186</u>	<u>\$ 0</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
COMMUNITY DEVELOPMENT BLOCK GRANT FUND				
Revenues:				
Intergovernmental Revenues	\$ 998,816	\$ 998,816	\$ 724,920	\$ (273,896)
All Other Revenues	<u>0</u>	<u>0</u>	<u>4,122</u>	<u>4,122</u>
Total Revenues	<u>998,816</u>	<u>998,816</u>	<u>729,042</u>	<u>(269,774)</u>
Expenditures:				
Community Environment:				
Operations and Maintenance	58,818	46,318	1,344	44,974
Capital Outlay	<u>934,139</u>	<u>674,965</u>	<u>674,593</u>	<u>372</u>
Total Community Environment	<u>992,957</u>	<u>721,283</u>	<u>675,937</u>	<u>45,346</u>
Debt Service:				
Principal Retirement	90,000	90,000	90,000	0
Interest and Fiscal Charges	<u>5,856</u>	<u>5,856</u>	<u>5,856</u>	<u>0</u>
Total Debt Service	<u>95,856</u>	<u>95,856</u>	<u>95,856</u>	<u>0</u>
Total Expenditures	<u>1,088,813</u>	<u>817,139</u>	<u>771,793</u>	<u>45,346</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(89,997)	181,677	(42,751)	(224,428)
Other Financing Sources (Uses):				
Transfers Out	<u>0</u>	<u>(12,500)</u>	<u>0</u>	<u>12,500</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(12,500)</u>	<u>0</u>	<u>12,500</u>
Net Change in Fund Balance	(89,997)	169,177	(42,751)	(211,928)
Fund Balance at Beginning of Year	<u>106,723</u>	<u>106,723</u>	<u>106,723</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 16,726</u>	<u>\$ 275,900</u>	<u>\$ 63,972</u>	<u>\$ (211,928)</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 94,000	\$ 94,000	\$ 93,327	\$ (673)
Investment Earnings	<u>0</u>	<u>0</u>	<u>9,132</u>	<u>9,132</u>
Total Revenues	<u>94,000</u>	<u>94,000</u>	<u>102,459</u>	<u>8,459</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	94,000	94,000	102,459	8,459
Other Financing Sources (Uses):				
Transfers Out	<u>0</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>0</u>
Net Change in Fund Balance	94,000	(6,000)	2,459	8,459
Fund Balance at Beginning of Year	<u>211,394</u>	<u>211,394</u>	<u>211,394</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 305,394</u>	<u>\$ 205,394</u>	<u>\$ 213,853</u>	<u>\$ 8,459</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 0	\$ 0	\$ 15,925	\$ 15,925
Investment Earnings	<u>0</u>	<u>0</u>	<u>879</u>	<u>879</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>16,804</u>	<u>16,804</u>
Expenditures:				
Public Health and Welfare Services:				
Operations and Maintenance	<u>32,000</u>	<u>32,000</u>	<u>21,222</u>	<u>10,778</u>
Total Expenditures	<u>32,000</u>	<u>32,000</u>	<u>21,222</u>	<u>10,778</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(32,000)	(32,000)	(4,418)	27,582
Fund Balance at Beginning of Year	<u>289,615</u>	<u>289,615</u>	<u>289,615</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 257,615</u>	<u>\$ 257,615</u>	<u>\$ 285,197</u>	<u>\$ 27,582</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2016**

GENERAL BOND RETIREMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Debt Service:				
Principal Retirement	520,000	520,000	520,000	0
Interest and Fiscal Charges	344,795	344,795	344,795	0
Total Expenditures	864,795	864,795	864,795	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	(864,795)	(864,795)	(864,795)	0
Other Financing Sources (Uses):				
Transfers In	864,795	864,795	852,926	(11,869)
Total Other Financing Sources (Uses)	864,795	864,795	852,926	(11,869)
Net Change in Fund Balance	0	0	(11,869)	(11,869)
Fund Balance at Beginning of Year	11,869	11,869	11,869	0
Fund Balance at End of Year	\$ 11,869	\$ 11,869	\$ 0	\$ (11,869)

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2016***

SPECIAL ASSESSMENT DEBT RETIREMENT FUND				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Special Assessments	\$ 41,800	\$ 41,800	\$ 43,231	\$ 1,431
Total Revenues	<u>41,800</u>	<u>41,800</u>	<u>43,231</u>	<u>1,431</u>
Expenditures:				
General Government:				
Operations and Maintenance	2,500	2,500	2,131	369
Debt Service:				
Principal Retirement	22,000	22,000	22,000	0
Interest and Fiscal Charges	<u>7,550</u>	<u>7,550</u>	<u>7,500</u>	<u>50</u>
Total Expenditures	<u>32,050</u>	<u>32,050</u>	<u>31,631</u>	<u>419</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,750	9,750	11,600	1,850
Fund Balance at Beginning of Year	<u>60,739</u>	<u>60,739</u>	<u>60,739</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 70,489</u>	<u>\$ 70,489</u>	<u>\$ 72,339</u>	<u>\$ 1,850</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2016**

LDOT IMPROVEMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Intergovernmental Revenues	\$ 0	\$ 94,954	\$ 94,954	\$ 0
All Other Revenues	40,000	40,000	40,000	0
Total Revenues	<u>40,000</u>	<u>134,954</u>	<u>134,954</u>	<u>0</u>
Expenditures:				
Capital Outlay	232,908	499,790	455,490	44,300
Total Expenditures	<u>232,908</u>	<u>499,790</u>	<u>455,490</u>	<u>44,300</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(192,908)	(364,836)	(320,536)	44,300
Other Financing Sources (Uses):				
Ohio Public Works Commission Loans Issued	0	210,428	210,428	0
Transfers Out	0	(38,500)	(38,500)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>171,928</u>	<u>171,928</u>	<u>0</u>
Net Change in Fund Balance	(192,908)	(192,908)	(148,608)	44,300
Fund Balance at Beginning of Year	158,877	158,877	158,877	0
Prior Year Encumbrances	40,141	40,141	40,141	0
Fund Balance at End of Year	<u>\$ 6,110</u>	<u>\$ 6,110</u>	<u>\$ 50,410</u>	<u>\$ 44,300</u>

CITY OF LANCASTER, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2016***

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	<u>\$ 106,497</u>	<u>\$ 106,497</u>	<u>\$ 106,497</u>	<u>\$ 0</u>
Total Revenues	<u>106,497</u>	<u>106,497</u>	<u>106,497</u>	<u>0</u>
Expenditures:				
Capital Outlay	<u>160,000</u>	<u>199,000</u>	<u>173,340</u>	<u>25,660</u>
Total Expenditures	<u>160,000</u>	<u>199,000</u>	<u>173,340</u>	<u>25,660</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(53,503)	(92,503)	(66,843)	25,660
Fund Balance at Beginning of Year	<u>199,626</u>	<u>199,626</u>	<u>199,626</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 146,123</u>	<u>\$ 107,123</u>	<u>\$ 132,783</u>	<u>\$ 25,660</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2016**

CAPITAL IMPROVEMENT FUND				Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues:				
Taxes	\$ 212,993	\$ 212,993	\$ 212,993	\$ 0
Intergovernmental Revenues	1,129,843	1,129,843	133,484	(996,359)
All Other Revenues	<u>0</u>	<u>0</u>	<u>32,640</u>	<u>32,640</u>
Total Revenues	<u>1,342,836</u>	<u>1,342,836</u>	<u>379,117</u>	<u>(963,719)</u>
Expenditures:				
Capital Outlay	<u>1,311,072</u>	<u>490,081</u>	<u>389,812</u>	<u>100,269</u>
Total Expenditures	<u>1,311,072</u>	<u>490,081</u>	<u>389,812</u>	<u>100,269</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	31,764	852,755	(10,695)	(863,450)
Other Financing Sources (Uses):				
Transfers In	0	0	38,500	38,500
Transfers Out	<u>(114,488)</u>	<u>(64,489)</u>	<u>(64,488)</u>	<u>1</u>
Total Other Financing Sources (Uses)	<u>(114,488)</u>	<u>(64,489)</u>	<u>(25,988)</u>	<u>38,501</u>
Net Change in Fund Balance	(82,724)	788,266	(36,683)	(824,949)
Fund Balance at Beginning of Year	<u>389,866</u>	<u>389,866</u>	<u>389,866</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 307,142</u>	<u>\$ 1,178,132</u>	<u>\$ 353,183</u>	<u>\$ (824,949)</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 162,190</u>	<u>\$ 62,190</u>
Total Revenues	<u>100,000</u>	<u>100,000</u>	<u>162,190</u>	<u>62,190</u>
Expenditures:				
Capital Outlay	56,000	199,700	199,700	0
Debt Service:				
Principal Retirement	106,832	106,832	106,832	0
Interest and Fiscal Charges	<u>20,516</u>	<u>20,516</u>	<u>20,516</u>	<u>0</u>
Total Expenditures	<u>183,348</u>	<u>327,048</u>	<u>327,048</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(83,348)	(227,048)	(164,858)	62,190
Fund Balance at Beginning of Year	<u>653,698</u>	<u>653,698</u>	<u>653,698</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 570,350</u>	<u>\$ 426,650</u>	<u>\$ 488,840</u>	<u>\$ 62,190</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2016**

ETY ROAD TIF PROJECT FUND				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 489,000	\$ 577,995	\$ 577,995	\$ 0
Total Revenues	<u>489,000</u>	<u>577,995</u>	<u>577,995</u>	<u>0</u>
Expenditures:				
General Government:				
Operations and Maintenance	30,000	30,000	23,418	6,582
Capital Outlay	0	91,708	91,708	0
Debt Service:				
Principal Retirement	300,000	1,856,340	1,856,340	0
Interest and Fiscal Charges	38,693	82,551	82,551	0
Total Expenditures	<u>368,693</u>	<u>2,060,599</u>	<u>2,054,017</u>	<u>6,582</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	120,307	(1,482,604)	(1,476,022)	6,582
Other Financing Sources (Uses):				
General Obligation Notes Issued	0	1,556,339	1,457,761	(98,578)
Advances Out	(9,000)	(9,000)	(9,000)	0
Total Other Financing Sources (Uses)	<u>(9,000)</u>	<u>1,547,339</u>	<u>1,448,761</u>	<u>(98,578)</u>
Net Change in Fund Balance	111,307	64,735	(27,261)	(91,996)
Fund Balance at Beginning of Year	29,320	29,320	29,320	0
Prior Year Encumbrances	8,000	8,000	8,000	0
Fund Balance at End of Year	<u>\$ 148,627</u>	<u>\$ 102,055</u>	<u>\$ 10,059</u>	<u>\$ (91,996)</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2016**

COLUMBIAN CONSTRUCTION FUND				
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
General Government:				
Operations and Maintenance	6,950	6,950	0	6,950
Capital Outlay	5,027,118	3,903,412	3,120,403	783,009
Debt Service:				
Principal Retirement	0	1,800,000	1,800,000	0
Interest and Fiscal Charges	0	18,000	18,000	0
Total Expenditures	<u>5,034,068</u>	<u>5,728,362</u>	<u>4,938,403</u>	<u>789,959</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,034,068)	(5,728,362)	(4,938,403)	789,959
Other Financing Sources (Uses):				
General Obligation Notes Issued	0	1,800,000	1,800,000	0
Transfers In	0	18,000	18,000	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>1,818,000</u>	<u>1,818,000</u>	<u>0</u>
Net Change in Fund Balance	(5,034,068)	(3,910,362)	(3,120,403)	789,959
Fund Balance at Beginning of Year	786,335	786,335	786,335	0
Prior Year Encumbrances	<u>2,334,068</u>	<u>2,334,068</u>	<u>2,334,068</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ (1,913,665)</u>	<u>\$ (789,959)</u>	<u>\$ 0</u>	<u>\$ 789,959</u>

CITY OF LANCASTER, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Fund
For the Year Ended December 31, 2016**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 24,994</u>	<u>\$ 24,994</u>
Total Revenues	<u>0</u>	<u>0</u>	<u>24,994</u>	<u>24,994</u>
Expenditures:				
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	24,994	24,994
Fund Balance at Beginning of Year	<u>1,051,351</u>	<u>1,051,351</u>	<u>1,051,351</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 1,051,351</u>	<u>\$ 1,051,351</u>	<u>\$ 1,076,345</u>	<u>\$ 24,994</u>

Internal Service Funds

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

Utilities Collection Fund

To account for the operation of the utility collections department for services provided to the gas, water, water pollution and sanitation departments. The funds using the utility billing services are charged for the cost of operation.

Fuel Depot Fund

To account for the operation of the fuel depot for services provided for departments within the City and outside agencies that are exempt from the federal excise tax.

Information Services Fund

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

Health Insurance Management Fund

To account for the accumulation and allocation of costs associated with providing health care benefits to employees.

CITY OF LANCASTER, OHIO

**Combining Statement of Net Position
Internal Service Funds
December 31, 2016**

	Utilities Collection	Fuel Depot	Information Services	Health Insurance Management	Total
Assets:					
<i>Current Assets:</i>					
Cash and Cash Equivalents	\$ 989,887	\$ 57,300	\$ 210,306	\$ 114,536	\$ 1,372,029
Cash and Cash Equivalents with Fiscal Agent	0	0	0	2,649,287	2,649,287
<i>Receivables:</i>					
Accounts	0	20,849	0	0	20,849
Inventory of Supplies at Cost	23,103	28,420	1,733	0	53,256
Prepaid Items	406	0	0	0	406
Total Current Assets	1,013,396	106,569	212,039	2,763,823	4,095,827
<i>Non Current Assets:</i>					
Capital Assets Being Depreciated, Net	68,904	0	857,962	0	926,866
Total Assets	1,082,300	106,569	1,070,001	2,763,823	5,022,693
Deferred Outflows of Resources:					
Pension	360,058	0	234,071	0	594,129
Liabilities:					
<i>Current Liabilities:</i>					
Accounts Payable	68,012	77,251	9,686	0	154,949
Accrued Wages and Benefits	25,080	0	13,466	0	38,546
Claims Payable	0	0	0	502,122	502,122
Accrued Interest Payable	0	0	19	0	19
Capital Lease Payable-Current	6,593	0	0	0	6,593
Installment Loan Payable - Current	0	0	63,381	0	63,381
Compensated Absences Payable - Current	12,397	0	6,369	0	18,766
Total Current Liabilities	112,082	77,251	92,921	502,122	784,376
<i>Long Term Liabilities:</i>					
Capital Leases Payable	14,353	0	0	0	14,353
Compensated Absences Payable	259,599	0	73,409	0	333,008
Net Pension Liability	946,484	0	615,302	0	1,561,786
Total Liabilities	1,332,518	77,251	781,632	502,122	2,693,523
Deferred Inflows of Resources:					
Pension	18,288	0	11,889	0	30,177
Net Position:					
Net Investment in Capital Assets	47,958	0	794,581	0	842,539
Unrestricted	43,594	29,318	(284,030)	2,261,701	2,050,583
Total Net Position	\$ 91,552	\$ 29,318	\$ 510,551	\$ 2,261,701	\$ 2,893,122

CITY OF LANCASTER, OHIO

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended December 31, 2016**

	Utilities Collection	Fuel Depot	Information Services	Health Insurance Management	Total
Operating Revenues:					
Charges for Services	\$ 1,756,395	\$ 20,849	\$ 893,452	\$ 6,209,899	\$ 8,880,595
Other Operating Revenue	29,848	0	2,535	0	32,383
Total Operating Revenues	1,786,243	20,849	895,987	6,209,899	8,912,978
Operating Expenses:					
Personal Services	1,150,917	0	669,710	0	1,820,627
Contractual Services	356,370	0	161,611	0	517,981
Materials and Supplies	176,559	48,831	88,862	0	314,252
Depreciation	24,738	0	138,481	0	163,219
Health Insurance Claims	0	0	0	6,463,370	6,463,370
Total Operating Expenses	1,708,584	48,831	1,058,664	6,463,370	9,279,449
Operating Income (Loss)	77,659	(27,982)	(162,677)	(253,471)	(366,471)
Nonoperating Revenue (Expenses):					
Interest Expense	0	0	(2,693)	0	(2,693)
Loss on Disposal of Capital Assets	(8,976)	0	0	0	(8,976)
Total Nonoperating Revenues (Expenses)	(8,976)	0	(2,693)	0	(11,669)
Income (Loss) Before Transfers	68,683	(27,982)	(165,370)	(253,471)	(378,140)
Transfers In	0	57,300	64,488	10,000	131,788
Change in Net Position	68,683	29,318	(100,882)	(243,471)	(246,352)
Net Position Beginning of Year	22,869	0	611,433	2,505,172	3,139,474
Net Position End of Year	\$ 91,552	\$ 29,318	\$ 510,551	\$ 2,261,701	\$ 2,893,122

CITY OF LANCASTER, OHIO

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2016**

	Utilities Collection	Fuel Depot	Information Services	Health Insurance Management	Totals
Cash Flows from Operating Activities:					
Cash Received from Interfund Services	\$1,786,243	\$0	\$895,987	\$6,209,899	\$8,892,129
Cash Payments for Goods and Services	(486,957)	0	(246,453)	0	(733,410)
Cash Payments to and on behalf of Employees	(1,084,240)	0	(702,168)	0	(1,786,408)
Cash Payments for Claims	0	0	0	(6,335,568)	(6,335,568)
Net Cash Provided (Used) by Operating Activities	215,046	0	(52,634)	(125,669)	36,743
Cash Flows from Noncapital Financing Activities:					
Transfers In from Other Funds	0	57,300	64,488	10,000	131,788
Net Cash Provided by Noncapital Financing Activities	0	57,300	64,488	10,000	131,788
Cash Flows from Capital and Related Financing Activities:					
Acquisition and Construction of Assets	(12,142)	0	(64,524)	0	(76,666)
Principal Paid on Installment Loan	0	0	(61,635)	0	(61,635)
Capital Lease Payments	(4,907)	0	0	0	(4,907)
Interest Paid on All Debt	0	0	(2,853)	0	(2,853)
Net Cash Used by Capital and Related Financing Activities	(17,049)	0	(129,012)	0	(146,061)
Net Increase (Decrease) in Cash and Cash Equivalents	197,997	57,300	(117,158)	(115,669)	22,470
Cash and Cash Equivalents at Beginning of Year	791,890	0	327,464	2,879,492	3,998,846
Cash and Cash Equivalents at End of Year	\$989,887	\$57,300	\$210,306	\$2,763,823	\$4,021,316
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Operating Income (Loss)	\$77,659	(\$27,982)	(\$162,677)	(\$253,471)	(\$366,471)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:					
Depreciation	24,738	0	138,481	0	163,219
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:					
Increase in Accounts Receivable	0	(20,849)	0	0	(20,849)
(Increase) Decrease in Inventory	2,710	(28,420)	2,473	0	(23,237)
Decrease in Prepaid Items	18	0	0	0	18
Increase in Deferred Outflows of Resources	(243,653)	0	(159,993)	0	(403,646)
Increase in Accounts Payable	43,241	77,251	1,565	0	122,057
Decrease in Accrued Wages and Benefits	(3,280)	0	(4,720)	0	(8,000)
Increase (Decrease) in Compensated Absences	19,457	0	(68,188)	0	(48,731)
Increase in Net Pension Liability	287,446	0	195,904	0	483,350
Increase in Deferred Outflows of Resources	6,710	0	4,521	0	11,231
Increase in Claims Payable	0	0	0	127,802	127,802
Total Adjustments	137,387	27,982	110,043	127,802	403,214
Net Cash Provided (Used) by Operating Activities	\$215,046	\$0	(\$52,634)	(\$125,669)	\$36,743

Schedule of Noncash Investing, Capital and Financing Activities:

During 2016, the Utilities Fund entered into capital lease obligations of \$13,093.

Fiduciary Funds

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

Agency Funds

Street Deposit Fund

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

Municipal Court Fund

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

Law Library Fund

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

Utility Overpayment Fund

Established to account for overpayment of utility bills due back to utility customers.

CITY OF LANCASTER, OHIO

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2016**

	Balance December 31, 2015	Additions	Deductions	Balance December 31, 2016
Street Deposit Fund				
Assets:				
Cash and Cash Equivalents	\$7,000	\$0	\$0	\$7,000
Total Assets	<u>\$7,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,000</u>
Liabilities:				
Due to Others	\$7,000	\$0	\$0	\$7,000
Total Liabilities	<u>\$7,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$7,000</u>
Municipal Court Fund				
Assets:				
Cash and Cash Equivalents	\$179,712	\$4,638,303	(\$4,673,674)	\$144,341
Total Assets	<u>\$179,712</u>	<u>\$4,638,303</u>	<u>(\$4,673,674)</u>	<u>\$144,341</u>
Liabilities:				
Due to Other Funds	\$4,481	\$2,049,244	(\$2,049,548)	\$4,177
Intergovernmental Payable	0	1,028,175	(1,028,175)	0
Due to Others	175,231	1,560,884	(1,595,951)	140,164
Total Liabilities	<u>\$179,712</u>	<u>\$4,638,303</u>	<u>(\$4,673,674)</u>	<u>\$144,341</u>
Law Library Fund				
Assets:				
Cash and Cash Equivalents	\$0	\$51,595	(\$51,595)	\$0
Due from Other Funds	4,481	4,177	(4,481)	4,177
Total Assets	<u>\$4,481</u>	<u>\$55,772</u>	<u>(\$56,076)</u>	<u>\$4,177</u>
Liabilities:				
Intergovernmental Payable	\$4,481	\$55,772	(\$56,076)	\$4,177
Total Liabilities	<u>\$4,481</u>	<u>\$55,772</u>	<u>(\$56,076)</u>	<u>\$4,177</u>
Utility Overpayment Fund				
Assets:				
Cash and Cash Equivalents	\$139,484	\$80,706	(\$29,982)	\$190,208
Total Assets	<u>\$139,484</u>	<u>\$80,706</u>	<u>(\$29,982)</u>	<u>\$190,208</u>
Liabilities:				
Due to Others	\$139,484	\$80,706	(\$29,982)	\$190,208
Total Liabilities	<u>\$139,484</u>	<u>\$80,706</u>	<u>(\$29,982)</u>	<u>\$190,208</u>
Totals - All Agency Funds				
Assets:				
Cash and Cash Equivalents	\$326,196	\$4,770,604	(\$4,755,251)	\$341,549
Due from Other Funds	4,481	4,177	(4,481)	4,177
Total Assets	<u>\$330,677</u>	<u>\$4,774,781</u>	<u>(\$4,759,732)</u>	<u>\$345,726</u>
Liabilities:				
Due to Other Funds	\$4,481	\$2,049,244	(\$2,049,548)	\$4,177
Intergovernmental Payables	4,481	1,083,947	(1,084,251)	4,177
Due to Others	321,715	1,641,590	(1,625,933)	337,372
Total Liabilities	<u>\$330,677</u>	<u>\$4,774,781</u>	<u>(\$4,759,732)</u>	<u>\$345,726</u>

STATISTICAL SECTION



STATISTICAL TABLES

This part of the City’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

Contents

Financial Trends	S 2 – S 13
These schedules contain trend information to help the reader understand how the City's financial position has changed over time.	
Revenue Capacity	S 14 – S 17
These schedules contain information to help the reader understand and assess the factors affecting the City's ability to generate its most significant local revenue source which is income tax.	
Debt Capacity	S 18 – S 27
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
Economic and Demographic Information	S 28 – S 31
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	
Operating Information	S 32 – S 39
These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	
Sources Note:	
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	

City of Lancaster

*Net Position by Component
Last Ten Years
(accrual basis of accounting)*

	2007	2008	Restated 2009	2010
Governmental Activities:				
Net Investment in Capital Assets	\$25,645,197	\$29,763,541	\$30,016,277	\$29,963,075
Restricted	9,988,647	7,482,942	8,350,592	8,914,509
Unrestricted	4,038,840	2,697,692	2,643,683	1,265,734
Total Governmental Activities Net Position	<u>\$39,672,684</u>	<u>\$39,944,175</u>	<u>\$41,010,552</u>	<u>\$40,143,318</u>
Business-type Activities:				
Net Investment in Capital Assets	\$33,974,969	\$37,984,626	\$38,448,219	\$42,163,722
Restricted	1,051,465	2,561,847	3,854,911	2,553,537
Unrestricted (Deficit)	30,810,822	25,478,180	1,665,210	(10,991,395)
Total Business-type Activities Net Position	<u>\$65,837,256</u>	<u>\$66,024,653</u>	<u>\$43,968,340</u>	<u>\$33,725,864</u>
Primary Government:				
Net Investment in Capital Assets	\$59,620,166	\$67,748,167	\$68,464,496	\$72,126,797
Restricted	11,040,112	10,044,789	12,205,503	11,468,046
Unrestricted	34,849,662	28,175,872	4,308,893	(9,725,661)
Total Primary Government Net Position	<u>\$105,509,940</u>	<u>\$105,968,828</u>	<u>\$84,978,892</u>	<u>\$73,869,182</u>

Source: City Auditor's Office

City of Lancaster

Restated 2011	2012	2013	Restated 2014	2015	2016
\$29,585,924	\$30,705,182	\$34,859,182	\$38,638,721	\$41,576,482	\$44,062,621
10,612,142	10,328,275	10,580,754	11,237,072	11,077,774	10,154,360
169,239	3,783,554	5,391,809	(18,847,439)	(17,997,524)	(19,731,872)
<u>\$40,367,305</u>	<u>\$44,817,011</u>	<u>\$50,831,745</u>	<u>\$31,028,354</u>	<u>\$34,656,732</u>	<u>\$34,485,109</u>
\$40,715,175	\$40,307,130	\$42,495,213	\$46,787,496	\$54,167,749	\$59,487,303
2,553,685	2,479,228	2,469,200	2,469,033	2,469,078	2,342,642
(23,896,398)	(32,023,328)	(41,515,012)	(53,909,879)	(56,322,159)	(53,545,337)
<u>\$19,372,462</u>	<u>\$10,763,030</u>	<u>\$3,449,401</u>	<u>(\$4,653,350)</u>	<u>\$314,668</u>	<u>\$8,284,608</u>
\$70,301,099	\$71,012,312	\$77,354,395	\$85,426,217	\$95,744,231	\$103,549,924
13,165,827	12,807,503	13,049,954	13,706,105	13,546,852	12,497,002
(23,727,159)	(28,239,774)	(36,123,203)	(72,757,318)	(74,319,683)	(73,277,209)
<u>\$59,739,767</u>	<u>\$55,580,041</u>	<u>\$54,281,146</u>	<u>\$26,375,004</u>	<u>\$34,971,400</u>	<u>\$42,769,717</u>

City of Lancaster

Changes in Net Position Last Ten Years (accrual basis of accounting)

	2007	2008	2009	2010
Expenses				
Governmental Activities:				
Security of Persons and Property	\$16,857,036	\$18,208,576	\$17,891,385	\$17,701,539
Public Health and Welfare Services	889,715	913,831	876,750	824,685
Leisure Time Activities	2,278,778	1,703,779	1,853,442	1,953,298
Community Environment	670,861	921,428	671,940	842,850
Transportation	5,109,759	4,540,208	4,801,342	5,224,430
General Government	9,709,530	7,903,080	7,644,288	9,532,402
Interest and Fiscal Charges	474,299	530,870	442,382	343,326
<i>Total Governmental Activities Expenses</i>	35,989,978	34,721,772	34,181,529	36,422,530
Business-type Activities:				
Gas	23,856,601	29,486,089	19,307,808	16,287,581
Water	8,508,514	9,024,527	9,251,932	8,959,229
Water Pollution	7,387,509	8,085,696	7,864,490	7,223,678
Sanitation	3,149,630	3,364,602	3,352,104	3,333,154
Storm Water	1,797,201	1,624,711	1,546,057	2,052,733
Port Authority	0	0	0	23,188,889
<i>Total Business-type Activities Expenses</i>	44,699,455	51,585,625	41,322,391	61,045,264
<i>Total Primary Government Expenses</i>	\$80,689,433	\$86,307,397	\$75,503,920	\$97,467,794
Program Revenues				
Governmental Activities:				
Charges for Services				
Security of Persons and Property	\$2,056,919	\$2,100,254	\$2,384,863	\$2,300,078
Public Health and Welfare Services	260,296	233,239	240,408	216,399
Leisure Time Activities	364,720	530,383	376,401	415,566
Community Environment	101,951	99,804	96,235	85,720
Transportation	1,366,382	770,556	790,241	825,039
General Government	1,884,603	1,998,226	1,943,677	2,302,119
Operating Grants and Contributions	5,641,639	6,257,136	5,070,598	4,358,354
Capital Grants and Contributions	2,965,310	1,248,952	0	797,834
<i>Total Governmental Activities Program Revenues</i>	14,641,820	13,238,550	10,902,423	11,301,109

City of Lancaster

Restated 2011	2012	2013	2014	2015	2016
\$17,530,462	\$15,424,941	\$16,617,988	\$16,849,215	\$17,702,358	\$19,853,945
754,085	744,949	857,082	785,007	1,232,576	\$855,731
1,958,087	1,893,828	1,810,306	2,256,990	2,135,524	\$2,336,363
817,834	825,620	688,405	873,446	725,687	\$995,091
5,037,685	6,385,975	4,825,294	6,817,662	6,477,311	\$6,887,838
7,369,038	9,512,336	7,943,615	7,840,741	7,927,531	\$8,712,430
339,535	329,507	355,061	416,240	517,344	\$505,547
<u>33,806,726</u>	<u>35,117,156</u>	<u>33,097,751</u>	<u>35,839,301</u>	<u>36,718,331</u>	<u>40,146,945</u>
14,805,525	12,339,382	14,481,150	15,574,440	13,583,412	11,271,767
9,136,690	8,689,156	8,193,295	8,468,594	8,163,396	8,100,342
8,441,640	9,525,692	9,576,190	9,729,438	9,087,256	9,565,843
3,533,473	3,205,787	3,197,770	3,274,326	3,226,109	3,274,150
1,786,087	1,717,429	1,941,058	1,807,062	1,974,803	1,778,616
21,285,796	17,564,850	18,664,845	17,208,616	6,638,568	6,265,348
<u>58,989,211</u>	<u>53,042,296</u>	<u>56,054,308</u>	<u>56,062,476</u>	<u>42,673,544</u>	<u>40,256,066</u>
<u>\$92,795,937</u>	<u>\$88,159,452</u>	<u>\$89,152,059</u>	<u>\$91,901,777</u>	<u>\$79,391,875</u>	<u>\$80,403,011</u>
\$2,161,188	\$2,355,439	\$2,720,979	\$2,231,913	\$2,195,779	\$2,214,724
251,757	242,805	235,910	230,884	206,503	\$216,640
396,589	509,880	351,611	502,389	346,570	\$369,206
97,824	88,238	65,761	77,256	75,115	\$79,245
813,495	777,280	955,710	1,378,452	1,414,529	\$1,289,483
2,151,906	2,522,371	2,438,708	3,111,858	2,903,193	\$2,784,562
5,523,719	8,668,164	5,242,074	4,791,064	5,063,305	\$4,697,405
498,035	169,670	3,173,702	4,326,483	1,223,675	\$863,655
<u>11,894,513</u>	<u>15,333,847</u>	<u>15,184,455</u>	<u>16,650,299</u>	<u>13,428,669</u>	<u>12,514,920</u>

(continued)

City of Lancaster

Changes in Net Position Last Ten Years (accrual basis of accounting)

	2007	2008	2009	2010
Business-type Activities:				
Charges for Services				
Gas	23,183,618	26,425,358	22,023,964	17,258,590
Water	9,320,183	8,626,257	8,408,759	8,243,228
Water Pollution	7,794,051	8,194,701	8,231,224	8,708,143
Sanitation	3,605,141	3,570,408	3,592,904	3,572,689
Storm Water	1,775,357	1,745,794	1,899,584	2,107,985
Port Authority	0	0	0	9,350,923
Operating Grants and Contributions	0	0	146,543	194,145
Capital Grants and Contributions	1,945,692	1,340,484	47,589	1,042,287
<i>Total Business-type</i>				
<i>Activities Program Revenues</i>	47,624,042	49,903,002	44,350,567	50,477,990
<i>Total Primary</i>				
<i>Government Program Revenues</i>	62,265,862	63,141,552	55,252,990	61,779,099
Net (Expense)/Revenue				
Governmental Activities	(21,348,158)	(21,483,222)	(23,279,106)	(25,121,421)
Business-type Activities	2,924,587	(1,682,623)	3,028,176	(10,567,274)
<i>Total Primary Government</i>				
<i>Net (Expense)/Revenue</i>	(\$18,423,571)	(\$23,165,845)	(\$20,250,930)	(\$35,688,695)
General Revenues and Other Changes in Net Position				
Governmental Activities:				
Property Taxes Levied for:				
General Purposes	\$2,036,017	\$1,946,225	\$2,093,725	\$1,914,780
Special Purposes	432,511	383,601	417,000	394,315
Debt Service	0	0	0	228,307
Capital Outlay	0	0	0	258,061
Income Taxes	16,129,114	17,366,985	17,456,314	17,212,521
Other Local Taxes	550,548	577,976	517,840	543,579
Intergovernmental Revenue, Unrestricted	3,048,567	3,170,617	2,739,915	3,076,212
Investment Earnings	1,352,560	802,558	529,545	328,465
Miscellaneous	1,117,099	588,164	806,267	622,745
Transfers	68,000	(1,428,140)	(215,123)	(324,798)
<i>Total Governmental Activities</i>	24,734,416	23,407,986	24,345,483	24,254,187
Business-type Activities:				
Special Item - Legal Settlement	0	441,880	0	0
Transfers	(68,000)	1,428,140	215,123	324,798
<i>Total Business-type Activities</i>	(68,000)	1,870,020	215,123	324,798
<i>Total Primary Government</i>	\$24,666,416	\$25,278,006	\$24,560,606	\$24,578,985
Change in Net Position				
Governmental Activities	\$3,386,258	\$1,924,764	\$1,066,377	(\$867,234)
Business-type Activities	2,856,587	187,397	3,243,299	(10,242,476)
<i>Total Primary Government</i>				
<i>Change in Net Position</i>	\$6,242,845	\$2,112,161	\$4,309,676	(\$11,109,710)

Source: City Auditor's Office

City of Lancaster

Restated 2011	2012	2013	2014	2015	2016
15,206,268	12,786,252	15,121,742	17,597,507	14,060,793	12,419,202
7,917,801	8,172,166	7,891,739	7,991,000	8,229,806	8,645,087
10,010,386	10,620,930	11,082,399	11,278,415	11,442,588	12,175,681
3,583,806	3,687,918	3,635,892	3,655,721	3,767,681	3,914,303
2,327,529	2,726,348	2,956,331	3,000,829	3,015,638	3,041,305
8,626,192	5,798,134	7,748,116	9,474,189	5,672,858	5,290,812
256,255	163,697	198,065	149,107	203,559	1,647,722
144,389	432,880	106,395	0	1,248,639	1,082,611
<u>48,072,626</u>	<u>44,388,325</u>	<u>48,740,679</u>	<u>53,146,768</u>	<u>47,641,562</u>	<u>48,216,723</u>
<u>59,967,139</u>	<u>59,722,172</u>	<u>63,925,134</u>	<u>69,797,067</u>	<u>61,070,231</u>	<u>60,731,643</u>
(21,912,213)	(19,783,309)	(17,913,296)	(19,189,002)	(23,289,662)	(27,632,025)
<u>(10,916,585)</u>	<u>(8,653,971)</u>	<u>(7,313,629)</u>	<u>(2,915,708)</u>	<u>4,968,018</u>	<u>7,960,657</u>
<u>(\$32,828,798)</u>	<u>(\$28,437,280)</u>	<u>(\$25,226,925)</u>	<u>(\$22,104,710)</u>	<u>(\$18,321,644)</u>	<u>(\$19,671,368)</u>
\$1,967,069	\$1,787,647	\$1,775,753	\$1,769,125	\$1,768,791	\$1,746,676
446,119	404,582	392,439	2,530,507	2,288,683	\$2,247,405
332,919	332,419	331,819	331,119	331,769	\$330,869
38,576	158,607	135,935	157,845	175,432	\$247,126
15,838,417	18,218,093	17,948,988	18,135,381	19,459,814	\$20,293,739
585,100	617,585	618,634	624,904	644,847	\$621,499
2,313,912	1,493,621	1,794,651	1,468,722	1,519,113	\$1,261,622
326,671	272,735	110,281	328,271	302,372	\$130,686
308,819	992,265	819,530	585,543	427,219	\$590,063
(21,402)	(44,539)	0	0	0	(\$9,283)
<u>22,136,200</u>	<u>24,233,015</u>	<u>23,928,030</u>	<u>25,931,417</u>	<u>26,918,040</u>	<u>27,460,402</u>
0	0	0	0	0	0
21,402	44,539	0	0	0	9,283
<u>21,402</u>	<u>44,539</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>9,283</u>
<u>\$22,157,602</u>	<u>\$24,277,554</u>	<u>\$23,928,030</u>	<u>\$25,931,417</u>	<u>\$26,918,040</u>	<u>\$27,469,685</u>
\$223,987	\$4,449,706	\$6,014,734	\$6,742,415	\$3,628,378	(\$171,623)
<u>(10,895,183)</u>	<u>(8,609,432)</u>	<u>(7,313,629)</u>	<u>(2,915,708)</u>	<u>4,968,018</u>	<u>7,969,940</u>
<u>(\$10,671,196)</u>	<u>(\$4,159,726)</u>	<u>(\$1,298,895)</u>	<u>\$3,826,707</u>	<u>\$8,596,396</u>	<u>\$7,798,317</u>

City of Lancaster

*Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
General Fund				
Nonspendable	\$0	\$0	\$0	\$0
Assigned	0	0	0	0
Unassigned	0	0	0	0
Reserved	290,959	269,862	309,687	311,485
Unreserved	<u>3,759,946</u>	<u>3,153,883</u>	<u>2,829,674</u>	<u>3,362,329</u>
<i>Total General Fund</i>	<u>4,050,905</u>	<u>3,423,745</u>	<u>3,139,361</u>	<u>3,673,814</u>
All Other Governmental Funds				
Nonspendable	0	0	0	0
Restricted	0	0	0	0
Committed	0	0	0	0
Unassigned	0	0	0	0
Reserved	2,829,102	2,801,159	3,044,531	3,023,660
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	3,580,847	3,670,910	4,082,531	4,848,172
Capital Projects Funds	<u>(4,231,667)</u>	<u>(5,744,111)</u>	<u>(4,330,894)</u>	<u>(2,010,441)</u>
Total All Other Governmental Funds	<u>2,178,282</u>	<u>727,958</u>	<u>2,796,168</u>	<u>5,861,391</u>
<i>Total Governmental Funds</i>	<u><u>\$6,229,187</u></u>	<u><u>\$4,151,703</u></u>	<u><u>\$5,935,529</u></u>	<u><u>\$9,535,205</u></u>

Source: City Auditor's Office

Note: The City implemented GASB 54 in 2011 which established new fund balance classifications for governmental funds.

City of Lancaster

2011	2012	2013	2014	2015	2016
\$211,052	\$237,825	\$218,362	\$184,142	\$186,934	\$232,405
430,940	1,581,288	1,242,718	1,335,785	1,358,651	1,303,159
3,341,770	3,614,790	5,251,121	5,482,881	5,684,567	6,518,690
0	0	0	0	0	0
0	0	0	0	0	0
<u>3,983,762</u>	<u>5,433,903</u>	<u>6,712,201</u>	<u>7,002,808</u>	<u>7,230,152</u>	<u>8,054,254</u>
2,919,211	3,037,984	3,019,060	3,018,879	2,974,874	1,392,532
5,972,886	5,980,246	6,525,938	13,494,830	7,070,766	8,185,382
1,000,075	1,560,269	1,323,924	1,965,953	2,006,007	2,041,240
(2,224,855)	(2,249,664)	(2,656,486)	(1,805,141)	(2,158,940)	(3,430,546)
0	0	0	0	0	0
0	0	0	0	0	0
<u>7,667,317</u>	<u>8,328,835</u>	<u>8,212,436</u>	<u>16,674,521</u>	<u>9,892,707</u>	<u>8,188,608</u>
<u>\$11,651,079</u>	<u>\$13,762,738</u>	<u>\$14,924,637</u>	<u>\$23,677,329</u>	<u>\$17,122,859</u>	<u>\$16,242,862</u>

City of Lancaster

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2007	2008	2009	2010
Revenues:				
Taxes	\$18,767,446	\$19,650,167	\$19,672,863	\$20,068,678
Intergovernmental Revenues	8,513,743	8,188,157	8,496,589	8,720,285
Charges for Services	4,710,409	4,345,079	4,192,295	4,398,036
Licenses and Permits	26,759	24,362	30,148	23,460
Investment Earnings	1,372,732	864,986	541,123	343,123
Special Assessments	140,058	137,351	128,276	118,993
Fines and Forfeitures	1,535,541	1,633,932	1,892,301	2,039,847
All Other Revenue	1,168,788	712,682	740,067	729,522
Total Revenue	<u>36,235,476</u>	<u>35,556,716</u>	<u>35,693,662</u>	<u>36,441,944</u>
Expenditures:				
Current:				
Security of Persons and Property	16,710,584	17,825,296	17,282,106	17,765,918
Public Health and Welfare Services	893,308	947,332	861,469	827,523
Leisure Time Activities	2,194,345	2,138,133	1,930,845	1,891,191
Community Environment	683,621	938,993	914,314	840,683
Transportation	4,094,796	4,126,802	4,405,233	4,572,787
General Government	7,784,196	7,667,476	7,342,691	8,317,591
Capital Outlay	7,193,369	3,172,798	825,694	703,024
Debt Service:				
Principal Retirement	265,086	1,139,743	413,171	643,299
Interest and Fiscal Charges	461,330	539,724	448,980	351,966
Total Expenditures	<u>40,280,635</u>	<u>38,496,297</u>	<u>34,424,503</u>	<u>35,913,982</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,045,159)	(2,939,581)	1,269,159	527,962

City of Lancaster

2011	2012	2013	2014	2015	2016
\$19,653,652	\$20,167,837	\$20,522,054	\$22,629,962	\$23,802,285	\$25,039,914
8,205,296	10,125,086	9,925,610	10,402,482	7,574,806	\$6,146,543
4,110,825	4,463,521	5,018,577	5,376,488	5,163,513	\$5,205,674
24,320	26,190	21,320	30,544	24,527	\$21,640
311,047	314,243	117,176	322,355	281,853	\$138,918
140,063	122,408	99,710	116,689	112,508	\$120,658
2,071,956	2,313,306	2,111,093	2,339,400	2,338,992	\$2,011,572
442,006	1,089,910	849,946	770,866	395,121	\$599,899
<u>34,959,165</u>	<u>38,622,501</u>	<u>38,665,486</u>	<u>41,988,786</u>	<u>39,693,605</u>	<u>39,284,818</u>

16,737,295	16,629,053	16,396,860	16,387,166	16,760,874	17,243,275
744,821	759,395	897,647	791,543	1,249,017	822,750
1,819,231	1,901,633	1,840,118	1,994,089	1,847,968	1,912,169
825,150	827,142	687,389	884,703	724,103	982,147
3,920,300	4,309,998	4,443,455	6,722,387	7,635,265	6,911,218
7,115,172	7,290,528	7,490,162	8,216,413	7,579,778	8,526,437
920,837	4,489,551	4,721,837	6,324,867	8,961,855	2,399,353
747,956	769,591	969,263	1,390,042	1,358,335	1,226,164
325,674	332,330	352,094	395,077	521,659	501,561
<u>33,156,436</u>	<u>37,309,221</u>	<u>37,798,825</u>	<u>43,106,287</u>	<u>46,638,854</u>	<u>40,525,074</u>

1,802,729	1,313,280	866,661	(1,117,501)	(6,945,249)	(1,240,256)
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(Continued)

City of Lancaster

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2007	2008	2009	2010
Other Financing Sources (Uses):				
State Infrastructure Bank Loan	1,155,949	0	0	0
Other Financing Sources - Capital Leases	440,386	126,409	518,545	18,882
Housing and Urban Development Loan	0	760,000	0	0
Ohio Public Works Commission Loan	0	0	0	0
Ohio Water Development Authority Loans	0	0	0	337,247
General Obligation Bonds Issued	0	0	0	2,800,000
Premium on General Obligation Bonds	0	0	0	0
Refunding General Obligation Bonds Issued	0	0	0	0
Premium on Refunding General Obligation Bonds	0	0	0	0
Payment to Refunded Bond Escrow Agent	0	0	0	0
Installment Loan	0	0	0	0
Transfers In	2,479,004	1,762,994	1,989,769	1,803,367
Transfers Out	(2,523,754)	(1,786,988)	(2,032,945)	(1,878,889)
Total Other Financing Sources (Uses)	<u>1,551,585</u>	<u>862,415</u>	<u>475,369</u>	<u>3,080,607</u>
Net Change in Fund Balance	<u>(\$2,493,574)</u>	<u>(\$2,077,166)</u>	<u>\$1,744,528</u>	<u>\$3,608,569</u>
Debt Service as a Percentage of Noncapital Expenditures	2.07%	4.70%	2.63%	2.91%

Source: City Auditor's Office

City of Lancaster

2011	2012	2013	2014	2015	2016
0	0	0	0	0	0
0	9,806	20,751	423,428	469,044	244,069
0	0	0	0	0	0
0	0	0	0	0	210,428
61,428	0	0	0	0	0
0	0	0	9,350,000	0	0
0	0	0	127,150	0	0
0	0	0	2,380,000	0	0
0	0	0	38,212	0	0
0	0	0	(2,359,891)	0	0
199,141	1,049,337	470,575	0	0	0
1,267,822	1,288,514	2,035,399	11,404,518	11,887,104	11,523,088
(1,289,224)	(1,633,053)	(2,214,087)	(11,469,006)	(11,951,592)	(11,664,159)
239,167	714,604	312,638	9,894,411	404,556	313,426
<u>\$2,041,896</u>	<u>\$2,027,884</u>	<u>\$1,179,299</u>	<u>\$8,776,910</u>	<u>(\$6,540,693)</u>	<u>(\$926,830)</u>
3.40%	3.10%	4.07%	4.95%	5.33%	4.75%

City of Lancaster

Income Tax Revenues by Source, Governmental Funds Last Ten Years

Tax year	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Income Tax Rate	1.75%	1.75%	1.75%	1.75%
Estimated Personal Income (in thousands)	\$1,165,637	\$1,201,987	\$1,211,789	\$1,214,457
Total Tax Collected	\$16,264,316	\$16,746,431	\$16,819,420	\$17,320,421
Income Tax Receipts				
Withholding	12,695,987	12,953,012	12,867,716	13,193,795
Percentage	78.06%	77.35%	76.51%	76.17%
Corporate	1,514,077	1,707,499	2,005,248	2,192,628
Percentage	9.31%	10.20%	11.92%	12.66%
Individuals	2,054,252	2,085,920	1,946,456	1,933,998
Percentage	12.63%	12.45%	11.57%	11.17%

Source: City Income Tax Department

Credit is given for tax paid to city of employment up to a maximum of 1.0%

City of Lancaster

2011	2012	2013	2014	2015	2016
1.75%	1.75%	1.75%	1.75%	1.75%	1.75%
\$1,301,806	\$1,396,920	\$1,543,778	\$1,566,749	\$1,595,603	\$1,639,546
\$16,703,561	\$17,457,624	\$17,750,771	\$17,809,533	\$18,672,494	\$20,100,001
13,238,524	13,557,810	13,659,993	13,883,166	14,439,064	15,248,970
79.25%	77.66%	76.96%	77.96%	77.34%	75.88%
1,609,683	1,649,607	1,932,043	1,897,976	2,067,737	2,444,653
9.64%	9.45%	10.88%	10.66%	11.07%	12.16%
1,855,354	2,250,207	2,158,735	2,028,391	2,165,693	2,406,378
11.11%	12.89%	12.16%	11.38%	11.59%	11.96%



City of Lancaster

Income Tax Collections Current Year and Nine Years Ago

Calendar Year 2016

<u>Income Tax Filers</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Income Tax Collections</u>	<u>Percent of Income</u>
Top Ten	10	0.10%	\$5,294,316	26.34%
All Others	9,854	99.90%	14,805,685	73.66%
Total	9,864	100.00%	\$20,100,001	100.00%

Calendar Year 2007

<u>Income Tax Filers</u>	<u>Number of Filers</u>	<u>Percent of Total</u>	<u>Income Tax Collections</u>	<u>Percent of Income</u>
Top Ten	10	0.09%	\$4,571,591	28.11%
All Others	10,676	99.91%	11,692,725	71.89%
Total	10,686	100.00%	\$16,264,316	100.00%

Source: City Income Tax Department

City of Lancaster

Ratio of Outstanding Debt By Type Last Ten Years

	2007	2008	2009	2010
Governmental Activities ⁽¹⁾				
Housing and Urban Development Loan Payable	\$850,000	\$760,000	\$670,000	\$580,000
Ohio Public Works Commission Loan Payable	82,162	76,076	69,990	63,904
Ohio Water Development Authority Loans Payable	0	0	0	337,247
Special Assessment Bonds Payable	292,000	277,000	261,500	245,000
General Obligation Bonds Payable	3,660,000	3,500,000	3,335,000	5,745,000
State Infrastructure Bank Loan Payable	1,155,949	1,047,292	910,707	769,994
Installment Loan Payable	0	0	0	0
Capital Leases	859,143	641,890	750,733	532,216
Business-type Activities ⁽¹⁾				
Ohio Water Development Authority Loans Payable	\$39,171,688	\$36,365,393	\$41,534,180	\$58,381,455
Revenue Bonds Payable	12,476,503	379,339,585	373,688,481	369,297,377
Installment Loan Payable	0	0	0	0
Ohio Rail Development Commission Loan	0	0	100,808	53,060
Capital Leases	425,521	343,706	287,311	200,470
Total Primary Government	<u>\$58,972,966</u>	<u>\$422,350,942</u>	<u>\$421,608,710</u>	<u>\$436,205,723</u>
Population ⁽²⁾				
City of Lancaster	36,375	36,608	37,680	37,243
Outstanding Debt Per Capita	\$1,621	\$11,537	\$11,189	\$11,712
Income ⁽³⁾				
Personal (in thousands)	1,165,637	1,201,987	1,211,789	1,214,457
Percentage of Personal Income	5.06%	35.14%	34.79%	35.92%

Sources:

- (1) Source: City Auditor's Office
- (2) Lancaster Community Development Department estimates (2007- 2013)
Fairfield County Economic Development website using
the Ohio Dept of Taxation Census Population estimates (2014-2016)
- (3) US Department of Commerce, Bureau of Economic Analysis
 - (a) Per Capita Income is only available by County, Total Personal Income is a calculation

City of Lancaster

2011	2012	2013	2014	2015	2016
\$490,000	\$400,000	\$310,000	\$220,000	\$130,000	\$40,000
57,818	54,775	45,646	39,560	33,474	240,859
391,485	376,754	361,723	346,088	329,941	313,264
228,000	210,000	191,000	171,000	150,000	128,000
5,295,000	4,835,000	4,360,000	13,177,942	12,369,244	11,541,185
610,821	464,867	314,502	159,592	0	0
180,634	1,492,108	1,695,230	1,378,506	1,053,040	739,482
356,584	184,820	114,214	447,016	737,330	780,396
\$60,996,820	\$56,434,105	\$52,134,520	\$47,606,083	\$43,497,740	\$39,590,748
365,281,273	361,341,879	356,703,101	347,855,825	334,188,997	321,226,153
0	0	0	0	0	1,050,000
4,136	0	0	0	0	0
83,832	325,974	280,665	233,665	165,790	108,017
<u>\$433,976,403</u>	<u>\$426,120,282</u>	<u>\$416,510,601</u>	<u>\$411,635,277</u>	<u>\$392,655,556</u>	<u>\$375,758,104</u>
38,780	38,880	39,359	38,854	38,780	39,848
\$11,191	\$10,960	\$10,582	\$10,594	\$10,125	\$9,430
1,301,806	1,396,920	1,543,778	1,566,749	1,595,603	1,639,546
33.34%	30.50%	26.98%	26.27%	24.61%	22.92%

City of Lancaster

Ratios of General Bonded Debt Outstanding Last Ten Years

Year	2007	2008	2009	2010
Population (1)	36,375	36,608	37,680	37,243
Assessed Value (2)	\$697,186,961	\$759,216,664	\$745,611,660	\$737,068,930
General Bonded Debt (3)				
General Obligation Bonds	\$3,660,000	\$3,500,000	\$3,335,000	\$5,745,000
Resources Available to Pay Principal (4)	\$97,729	\$97,729	\$97,729	\$91,191
Net General Bonded Debt	\$3,562,271	\$3,402,271	\$3,237,271	\$5,653,809
Ratio of Net Bonded Debt to Assessed Value	0.51%	0.45%	0.43%	0.77%
Net Bonded Debt per Capita	\$97.93	\$92.94	\$85.91	\$151.81

Source:

- (1) Lancaster Community Development Department estimates (2007- 2013)
Fairfield County Economic Development website using
the Ohio Dept of Taxation Census Population estimates (2014-2016)
- (2) Fairfield County Auditor
- (3) Includes all general obligation bonded debt supported by property taxes.
- (4) Includes only Debt Service funds available for general obligation bonded debt supported
by property taxes.

City of Lancaster

2011	2012	2013	2014	2015	2016
38,780	38,880	39,359	38,854	38,780	39,848
\$718,274,700	\$723,028,400	\$727,831,260	\$722,645,450	\$719,521,390	\$722,023,270
\$5,295,000	\$4,835,000	\$4,360,000	\$13,177,942	\$12,369,244	\$11,541,185
\$91,191	\$91,191	\$91,191	\$0	\$11,869	\$0
\$5,203,809	\$4,743,809	\$4,268,809	\$13,177,942	\$12,357,375	\$11,541,185
0.72%	0.66%	0.59%	1.82%	1.72%	1.60%
\$134.19	\$122.01	\$108.46	\$339.17	\$318.65	\$289.63



City of Lancaster

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2016*

<u>Jurisdiction</u>		<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to the City of Lancaster</u>	<u>Amount Applicable to the City of Lancaster</u>
Direct:				
City of Lancaster	(1)	\$13,783,186	100.00%	\$13,783,186
Overlapping:				
Lancaster City School District	(2)	62,889,671	78.00%	49,053,943
Fairfield County	(3)	41,176,643	21.05%	8,667,683
			Subtotal	<u>57,721,626</u>
			Total	<u><u>\$71,504,812</u></u>

Source:

- (1) City Auditor's Office
- (2) Lancaster City School District, as of June 30, 2016, the District's fiscal year end.
- (3) Fairfield County Auditor - Comprehensive Annual Financial Report

Percentages determined by dividing each overlapping subdivisions' assessed valuation within the City by the subdivisions' total assessed valuation.

City of Lancaster

Debt Limitations Last Ten Years

Collection Year	2007	2008	2009	2010
Total Debt				
Net Assessed Valuation	\$697,186,961	\$759,216,664	\$745,611,660	\$737,068,930
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	73,204,631	79,717,750	78,289,224	77,392,238
City Debt Outstanding (2)	5,897,600	3,500,000	3,335,000	5,745,000
Less: Applicable Debt Service Fund Amounts	<u>(97,729)</u>	<u>(97,729)</u>	<u>(97,729)</u>	<u>(91,191)</u>
Net Indebtedness Subject to Limitation	<u>5,799,871</u>	<u>3,402,271</u>	<u>3,237,271</u>	<u>5,653,809</u>
Overall Legal Debt Margin	<u><u>\$67,404,760</u></u>	<u><u>\$76,315,479</u></u>	<u><u>\$75,051,953</u></u>	<u><u>\$71,738,429</u></u>
Unvoted Debt				
Net Assessed Valuation	\$697,186,961	\$759,216,664	\$745,611,660	\$737,068,930
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	38,345,283	41,756,917	41,008,641	40,538,791
City Debt Outstanding (2)	5,897,600	3,500,000	3,335,000	5,745,000
Less: Applicable Debt Service Fund Amounts	<u>(97,729)</u>	<u>(97,729)</u>	<u>(97,729)</u>	<u>(91,191)</u>
Net Indebtedness Subject to Limitation	<u>5,799,871</u>	<u>3,402,271</u>	<u>3,237,271</u>	<u>5,653,809</u>
Overall Legal Debt Margin	<u><u>\$32,545,412</u></u>	<u><u>\$38,354,646</u></u>	<u><u>\$37,771,370</u></u>	<u><u>\$34,884,982</u></u>

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

(2) City Debt Outstanding includes Non Self-Supporting General Obligation Bonds and Notes only.
Enterprise Debt is not considered in the computation of the Legal Debt Margin.

Source: City Auditor's Office

City of Lancaster

2011	2012	2013	2014	2015	2016
\$718,274,700	\$723,028,400	\$727,831,260	\$722,645,450	\$719,521,390	\$722,023,270
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
75,418,844	75,917,982	76,422,282	75,877,772	75,549,746	75,812,443
5,295,000	4,835,000	4,360,000	13,177,942	12,369,244	11,541,185
(91,191)	(91,191)	(91,191)	0	(11,869)	0
5,203,809	4,743,809	4,268,809	13,177,942	12,357,375	11,541,185
\$70,215,035	\$71,174,173	\$72,153,473	\$62,699,830	\$63,192,371	\$64,271,258
\$718,274,700	\$723,028,400	\$727,831,260	\$722,645,450	\$719,521,390	\$722,023,270
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
39,505,109	39,766,562	40,030,719	39,745,500	39,573,676	39,711,280
5,295,000	4,835,000	4,360,000	13,177,942	12,369,244	11,541,185
(91,191)	(91,191)	(91,191)	0	(11,869)	0
5,203,809	4,743,809	4,268,809	13,177,942	12,357,375	11,541,185
\$34,301,300	\$35,022,753	\$35,761,910	\$26,567,558	\$27,216,301	\$28,170,095

City of Lancaster

Pledged Revenue Coverage Last Ten Years

	2007	2008	2009	2010
Water Mortgage Bonds (1 a)				
Gross Revenues (2)	\$9,320,183	\$8,626,257	\$8,432,910	\$8,307,429
Direct Operating Expenses (3)	5,436,732	5,714,908	5,798,198	5,845,492
Net Revenue Available for Debt Service	3,883,451	2,911,349	2,634,712	2,461,937
Annual Debt Service Requirement	562,256	562,006	566,094	564,344
Coverage	6.91	5.18	4.65	4.36
Water Pollution Mortgage Bonds (1 b)				
Gross Revenues (2)	\$7,794,051	\$8,194,701	\$8,339,280	\$8,834,129
Direct Operating Expenses (3)	3,991,924	4,103,624	3,893,941	3,542,641
Net Revenue Available for Debt Service	3,802,127	4,091,077	4,445,339	5,291,488
Annual Debt Service Requirement	348,716	518,214	1,786,742	1,786,941
Coverage	10.90	7.89	2.49	2.96
Port Authority Gas Supply Revenue Bonds (1 c)				
Gross Revenues (2)	\$0	N/A	N/A	\$9,347,281
Direct Operating Expenses (3)	0	N/A	N/A	9,830,408
Net Revenue Available for Debt Service	0	N/A	N/A	(483,127)
Annual Debt Service Requirement	0	8,062,363	6,166,070	4,440,158
Coverage	0.00	N/A	N/A	(0.11)
Special Assessment Bonds (1 d)				
Special Assessment Collections	\$38,107	\$37,547	\$35,202	\$36,342
Debt Service				
Principal	14,000	15,000	15,500	16,500
Interest	15,638	6,963	13,850	13,075
Coverage	1.29	1.71	1.20	1.23

(1 a) In 2004 the City issued \$8,205,000 of Water Mortgage Bonds

(1 b) In 2004 the City issued \$5,095,000 of Water Pollution Mortgage Bonds

In 2008 the City issued \$21,195,000 of Water Pollution Mortgage Bonds

(1 c) In 2008 the City issued \$348,750,000 of Gas Supply Bonds

(1 d) In 2001 the City issued \$367,000 of Special Assessment Bonds

(2) Gross revenues include operating revenues plus interest income.

(3) Direct operating expenses include operating expenses less depreciation.

N/A = not available

Source: City Auditor's Office

City of Lancaster

2011	2012	2013	2014	2015	2016
\$7,979,328	\$8,210,753	\$7,885,740	\$8,023,002	\$8,211,328	\$8,643,136
5,796,524	5,919,515	5,453,543	5,802,924	5,822,634	5,914,565
2,182,804	2,291,238	2,432,197	2,220,078	2,388,694	2,728,571
561,869	519,035	416,144	516,081	514,981	513,981
3.88	4.41	5.84	4.30	4.64	5.31
\$10,115,464	\$10,715,711	\$11,072,967	\$11,378,708	\$11,499,199	\$12,185,806
3,568,981	4,297,101	4,054,109	4,403,285	3,930,137	4,609,387
6,546,483	6,418,610	7,018,858	6,975,423	7,569,062	7,576,419
1,786,179	1,761,279	1,749,669	1,749,756	1,753,812	1,688,038
3.67	3.64	4.01	3.99	4.32	4.49
\$8,628,422	\$5,758,552	\$7,732,965	\$9,475,747	\$5,668,319	\$5,291,860
8,217,550	4,540,457	5,819,723	6,531,561	290,978	242,969
410,872	1,218,095	1,913,242	2,944,186	5,377,341	5,048,891
3,737,119	3,741,661	3,884,923	2,852,227	15,284,079	16,505,174
0.11	0.33	0.49	1.03	0.35	0.31
\$46,203	\$37,246	\$36,571	\$41,881	\$39,239	\$43,231
17,000	18,000	19,000	20,000	21,000	22,000
12,250	11,400	10,500	9,550	8,550	7,500
1.58	1.27	1.24	1.42	1.33	1.47

City of Lancaster

Demographic and Economic Statistics Last Ten Years

Calendar Year	2007	2008	2009	2010	2011
Population					
City of Lancaster (2)	36,375	36,608	37,680	37,243	38,780
Fairfield County (1)	142,557	144,252	143,712	143,712	146,156
Income (3) (a)					
Total Personal (in thousands)	1,165,637	1,201,987	1,211,789	1,214,457	1,301,806
Per Capita	32,045	32,834	32,160	32,609	33,569
Unemployment Rate (4)					
Federal	4.6%	5.8%	9.3%	9.6%	8.9%
State	5.6%	6.6%	10.2%	10.1%	8.6%
Fairfield County	5.0%	5.6%	8.5%	8.8%	7.7%
Civilian Work Force Estimates (4)					
State	5,976,500	5,986,400	5,970,200	5,897,600	5,762,000
Fairfield County	76,300	77,100	76,100	75,300	74,400
Lancaster	18,700	18,600	18,600	17,900	1,770

Sources:

- (1) US Bureau of Census of Population
- (2) Lancaster Community Development Department estimates (2007- 2013)
Fairfield County Economic Development website using
the Ohio Dept of Taxation Census Population estimates (2014-2016)
- (3) US Department of Commerce, Bureau of Economic Analysis information is only available through 2015
for the presentation of 2016 statistics, the City is using the latest information available.
(a) Per Capita Income is only available by County, Total Personal Income is a calculation
- (4) State Department of Labor Statistics

City of Lancaster

2012	2013	2014	2015	2016
38,880	39,359	38,854	38,780	39,848
147,747	148,797	150,381	151,408	151,408
1,396,920	1,543,778	1,566,749	1,595,603	1,639,546
35,929	39,223	40,324	41,145	41,145
8.1%	7.4%	6.2%	5.3%	4.9%
7.2%	7.4%	5.7%	4.9%	4.9%
6.3%	6.4%	5.0%	4.3%	4.2%
5,747,900	5,765,700	5,719,500	5,700,300	5,713,100
74,800	75,600	74,900	75,400	75,800
17,500	17,700	17,900	17,900	17,900



City of Lancaster

Principal Employers Current Year and Nine Years Ago

Employer	Nature of Business	2016		
		Number of Employees	Rank	Percentage of Total Employment
Fairfield Medical Center	Medical Services	1,864	1	10.41%
Fairfield County	Government	938	2	5.24%
Anchor Hocking	Manufacturer	900	3	5.03%
Lancaster City Schools	Education	705	4	3.94%
City of Lancaster	Government	430	5	2.40%
Ralston Foods/Con Agra	Manufacturer	341	6	1.91%
Diamond Power	Metal Fabrication	240	7	1.34%
Crown Cork & Seal	Manufacturer	173	8	0.97%
Fairfield Co Education Ser Ctr	County ESC	150	9	0.84%
Cyril Scott	Manufacturer	148	10	0.83%
Total		5,889		32.91%
Total Employment within the City		17,900		

Employer	Nature of Business	2007		
		Number of Employees	Rank	Percentage of Total Employment
Fairfield Medical Center	Medical	2,100	1	11.67%
Anchor Hocking	Glass Manufacturer	1,000	2	5.56%
Fairfield County	Government	825	3	4.58%
Lancaster City Schools	Education	601	4	3.34%
City of Lancaster	Government	477	5	2.65%
Diamond Power	Metal Fabrication	450	6	2.50%
Ralston Foods	Cereal	385	7	2.14%
Glasfloss	Fiberglass Manufacturer	300	8	1.67%
Kroger Company	Grocer	290	9	1.61%
Lnacaster Bingo	Entertainment	280	10	1.56%
Total		6,708		37.27%
Total Employment within the City		18,000		

Sources:

Source for 2016 total employment is from the Ohio Labor Market Information Website.
2016 Company information is from the Fairfield County Economic Development webpage, compiled as of March 2015, the latest data available.

City of Lancaster

Full Time Equivalent Employees by Function Last Ten Years

	2007	2008	2009	2010	2011
Governmental Activities					
General Government					
Auditor	6.00	6.00	6.00	5.00	4.00
Treasurer	1.00	1.00	1.00	1.00	1.00
Legal	9.00	10.00	10.00	9.00	8.00
City Council	11.00	11.00	11.00	11.00	11.00
Court	33.00	35.00	35.00	34.00	33.00
Administration	4.00	4.00	4.00	4.00	4.00
Engineering	8.00	8.00	5.00	4.00	4.00
Certified Building	6.00	4.00	4.00	4.00	3.00
Income Tax	5.00	6.00	5.00	5.00	4.00
Maintenance	2.00	2.00	1.00	1.00	1.00
Electric	0.00	0.00	0.00	0.00	0.00
Information Systems	6.00	7.00	6.00	6.00	7.00
Security of Persons and Property					
Police	84.00	86.00	83.00	83.00	81.00
Fire	94.00	95.00	92.00	84.00	70.00
Public Health and Welfare					
Cemetery	5.00	5.00	5.00	5.00	4.00
Transportation					
Street	29.00	28.00	25.00	24.00	22.00
Leisure Time Activities					
Parks	25.00	27.00	25.00	26.00	16.00
Community Environment					
Community Development	3.00	3.00	2.00	3.00	3.00
Public Transit	1.00	1.00	1.00	1.00	1.00
Civil Service	1.00	1.00	1.00	1.00	1.00
Business-Type Activities					
Utilities					
Gas	22.00	23.00	24.00	24.00	25.00
Water	44.00	45.00	46.00	44.00	43.00
Water Pollution	22.00	22.00	21.00	22.00	24.00
Sanitation	23.00	23.00	23.00	22.00	21.00
Storm Water	3.00	3.00	3.00	3.00	2.00
Utilities Collection	21.00	20.00	17.00	17.00	15.00
<i>Total Employees</i>	<u>469.00</u>	<u>477.00</u>	<u>457.00</u>	<u>444.00</u>	<u>409.00</u>

Method: 1.00 for each full-time, 0.50 for each part-time and 0.25 for each seasonal employee

Source: City Auditor's Office

City of Lancaster

2012	2013	2014	2015	2016
4.00	5.00	5.00	5.00	5.00
1.00	1.00	1.00	1.00	1.00
9.00	7.00	9.00	7.00	10.00
11.00	11.00	11.00	11.00	11.00
33.00	33.00	36.00	36.00	39.00
4.00	5.00	5.00	4.00	4.00
3.00	4.00	3.00	3.00	3.00
3.00	3.00	3.00	3.00	4.00
4.00	4.00	4.00	4.00	4.00
1.00	1.00	1.00	1.00	1.00
0.00	0.00	0.00	0.00	0.00
7.00	7.00	8.00	8.00	8.00
83.00	80.00	83.00	82.00	85.00
70.00	70.00	72.00	72.00	70.00
1.00	1.00	2.00	2.00	2.00
4.00	4.00	4.00	4.00	4.00
21.00	22.00	22.00	23.00	23.00
25.00	24.00	26.00	25.00	29.00
3.00	3.00	3.00	3.00	3.00
1.00	1.00	1.00	2.00	3.00
1.00	1.00	1.00	1.00	1.00
25.00	25.00	25.00	25.00	25.00
42.00	41.00	39.00	38.00	38.00
24.00	23.00	24.00	24.00	25.00
21.00	21.00	21.00	20.00	21.00
4.00	4.00	5.00	5.00	5.00
15.00	15.00	15.00	15.00	15.00
420.00	416.00	429.00	424.00	439.00

City of Lancaster

Operating Indicators by Function Last Ten Years

	2007	2008	2009	2010
Governmental Activities				
General Government				
Court				
Number of Traffic Cases	11,700	15,164	12,429	14,199
Number of Open Cases	1,437	1,718	1,344	1,254
Licenses and Permits				
Number of Building Permits	973	1,135	1,011	1,254
Number of Building Inspections	3,672	3,191	2,610	2,857
Security of Persons and Property				
Police				
Number of Calls Received	50,565	59,000	60,948	59,216
Number of Traffic Citations	3,828	4,411	4,003	4,424
Number of Arrests	2,276	2,545	2,645	1,750
Parking Tickets Written	1,176	1,189	1,136	1,001
Fire				
Number of Fire Calls	1,681	1,750	1,750	1,526
Number of EMS Runs	5,830	6,314	6,151	6,314
Number of Inspections	2,610	3,350	3,744	3,041
Leisure Time Activities				
Parks				
Number of Programs Offered	21	41	43	49
Number of Pool Passes Issued	26,321	25,296	21,165	31,492
Business-Type Activities				
Water				
Number of Service Connections	15,185	15,199	15,242	15,306
Daily Average Consumption (thousands of gallons)	4.2M	4.5M	4.31M	3.87M
Peak Daily Consumption (thousands of gallons)	8.6M	7.8M	5.76M	5.785M
Water Pollution				
Number of Service Connections	14,855	14,869	14,961	14,994
Maximum Daily Capacity (2)	7.56M	14.7M	12.5M	12.5M
Daily Average Sewage Treatment (thousands of gallons) (1)	12.5M	8.4M	6.60M	6.47M
Sanitation				
Number of Customers	14,200	15,279	14,985	15,597
Storm Water				
Number of Customers	14,356	14,376	14,439	14,608

Source: City Auditor's Office

(1) New plant opened in 2011

City of Lancaster

2011	2012	2013	2014	2015	2016
16,242	17,053	17,933	17,898	17,631	16,678
1,444	1,345	1,606	1,335	1,271	1,449
1,070	1,146	1,156	1,049	1,258	1,338
2,283	2,566	2,983	2,436	2,878	3,759
63,969	62,591	58,228	56,254	60,578	60,685
5,185	4,361	5,079	2,616	4,205	2,412
4,071	1,543	1,647	1,494	1,481	1,447
1,001	984	833	696	598	451
1,595	1,709	1,530	1,569	1,767	1,910
6,304	6,729	6,819	6,931	7,259	7,358
3,142	2,363	1,464	1,433	1,503	1,596
56	57	63	61	62	62
33,258	28,533	18,758	18,283	19,022	24,597
15,260	15,275	15,363	15,424	15,464	15,499
3.88M	3.79M	3.58M	3.75M	4.57M	3.67M
5.69M	5.23M	5.89M	5.76M	5.89M	5.64M
14,966	14,974	15,088	15,129	15,095	15,215
14.5M	14M	14M	14M	14M	14M
9.7M	6.96M	7.10M	7.23M	6.84M	7.07M
15,370	15,441	15,468	15,490	15,518	15,566
14,619	14,680	14,750	14,820	14,832	14,876

City of Lancaster

Capital Asset Statistics by Function Last Ten Years

	2007	2008	2009	2010
Governmental Activities				
General Government				
Public Land and Buildings				
Land (2)	18,590	18,590	18,590	18,590
Buildings	36	36	36	36
Security of Persons and Property				
Police				
Stations	1	1	1	1
Vehicles (1)	16	16	31	31
Fire				
Stations	3	3	3	3
Vehicles	22	22	22	20
Public Health & Welfare				
Cemetery				
Land (acres)	150	150	150	150
Transportation				
Street				
Streets (lane miles)	185	185	185	185
Street Lights	2,360	2,360	2,360	2,464
Traffic Signals	92	92	85	85
Leisure Time Activities				
Parks				
Land (acres)	720	720	733	733
Buildings	21	21	21	21
Parks	27	27	27	27
Playgrounds	12	12	12	12
Swimming Pools	2	2	3	2
Tennis Courts	10	10	13	13
Baseball/Softball Diamonds	26	26	26	26
Soccer Fields	8	8	22	22

(1) Previous to 2009, only marked vehicles were reported.

(2) Previous to 2016, total land (shown in square miles) within the corporate boundaries of the City was being reported.

Beginning in 2016, only City owned land (shown in acres) is reported.

City of Lancaster

2011	2012	2013	2014	2015	2016
18,590 36	18,590 36	18,598 36	18,598 36	18,598 36	1,453.94 37
1 33	1 38	1 34	1 38	1 37	1 38
3 20	3 21	3 20	3 18	3 18	3 19
150	150	150	150	150	150
185 2,466 85	185 2,300 85	185 2,476 85	185 2,476 86	185 2,476 86	185 2,476 88
733 21 27 12 2 13 26 22	733 21 27 12 2 13 26 22	733 21 27 12 2 13 26 22	733 21 27 12 2 13 26 22	733 21 27 12 2 13 26 22	733 21 27 12 2 13 26 22

(Continued)

City of Lancaster

Capital Asset Statistics by Function Last Ten Years

	2007	2008	2009	2010
Business-Type Activities				
Utilities				
Water				
Waterlines (Miles)	171	171	174	179
Pump Stations	2	2	2	2
Number of Hydrants	1,670	1,670	1,791	1,800
Storage Capacity (thousands of gallons)	16.5M	16.5M	17.5M	9.8M
Water Pollution				
Sewerlines (Miles)	185	185	186	186
Lift Stations	9	9	10	10
Sanitation				
Packers	9	9	10	10
Storm Water				
Storm Sewers (Miles)	61	61	63	63
Gas				
Gaslines (Miles)	N/A	N/A	N/A	N/A

Source: City Auditor's Office
N/A = Not Available

City of Lancaster

2011	2012	2013	2014	2015	2016
180	181	182	182	182	182
2	2	2	2	2	2
1,835	1,842	1,848	1,885	1,892	1,900
9.8M	9.8M	9.8M	9.8M	9.8M	9.8M
186	186	186	186	186	186
10	11	11	11	11	11
10	9	9	10	9	9
63	64	66	88	88	88
260	260	249	249	249	255



**CITY OF LANCASTER
FAIRFIELD COUNTY, OHIO**

Independent Auditors' Reports on
Internal Controls and Compliance
and Schedule of Expenditures of Federal Awards

December 31, 2016

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

City Council
City of Lancaster
104 East Main Street
Lancaster, Ohio 43130

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lancaster, Ohio (the "City"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 29, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

City Council
City of Lancaster
104 East Main Street
Lancaster, Ohio 43130

Report on Compliance for Each Major Federal Program

We have audited City of Lancaster, Ohio's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2016. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 29, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Clark, Schaefer, Hackett & Co.

Springfield, Ohio
June 29, 2017

CITY OF LANCASTER
FAIRFIELD COUNTY

SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED DECEMBER 31, 2016

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Final Federal Schedule Disbursements
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
Home Investment Partnerships Program (HOME)	N/A	14.239	\$ 213,919
Community Development Block Grants (CDBG) Entitlement Grants Program	N/A	14.218	<u>503,602</u>
Total U.S. Department of Housing and Urban Development			<u>717,521</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
<i>Passed Through Ohio Office of Criminal Justice:</i>			
Violence Against Women Formula Grants Program	2015-WF-VA5-8422	16.588	41,882
Edward Byrne Memorial Justice Assistance Grant Program	2015-DJ-BX-0650 2015-JG-D01-6589	16.738 16.738	10,778 <u>23,333</u> <u>34,111</u>
<i>Directly funded from the US Department of Justice</i>			
Bulletproof Vest Partnership Program	N/A	16.607	<u>3,362</u>
Total U.S. Department of Justice			<u>79,355</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction Grant	PID 94748 PID 85871 PID 96498	20.205 20.205 20.205	68,011 220,369 <u>848</u> 289,228
Total Highway Planning and Construction Grant			
Formula Grants for Other than Urbanized Areas	RPTM-0107-036-161 RPTF-4107-035-161	20.509 20.509	129,405 <u>374,246</u> 503,651
Total Formula Grants for Other than Urbanized Areas			
Bus and Facilities Program	RPTF-0107-036-161	20.526	<u>225,664</u>
Total U.S. Department of Transportation			<u>1,018,543</u>
<u>U. S. ENVIRONMENTAL PROTECTION AGENCY</u>			
<i>Passed Through Ohio Environmental Protection Agency</i>			
Nonpoint Source Implementation Program	C9975500014	66.460	<u>95,643</u>
Total U.S. Environmental Protection Agency			<u>95,643</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
Hazard Mitigation Grant Program	FEMA-DR-4077-OH	97.039	278,350
Disaster grants- Public assistance (Presidentially Declared Disasters) FEMA-4077-DR-045-41720		97.036	<u>38,508</u>
Total U.S. Department of Homeland Security			<u>316,858</u>
Total Federal Awards Expenditures			<u>\$ 2,227,920</u>

The accompanying notes are an integral part of this schedule.

**CITY OF LANCASTER
FAIRFIELD COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2016**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Expenditures (the Schedule) reports the City of Lancaster, Fairfield County, Ohio, (the City's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting. Because the Schedule presents only a selected portion of the operations of the City, it is not intended to, and does not, present the financial position, activities and cash flows of the City for the year ended December 31, 2016.

The information in this Schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments* or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE B - SUBRECIPIENTS

The City did not pass any federal awards received to subrecipients during the year ended December 31, 2016.

NOTE C - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAMS

The City has a revolving loan fund (RLF) program to lend money to eligible persons to rehabilitate homes. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

These loans are collateralized by mortgages on the property.

Activity in the CDBG revolving loan fund during 2016 is as follows:

Beginning loans receivable balance as of January 1, 2016	\$1,068,079
Loans made	\$ 11,288
Loan principal repaid	\$ (26,680)
Ending loans receivable balance as of December 31, 2016	\$1,052,687
Cash balance on hand in the revolving loan fund as of December 31, 2016	\$ 28,117
Administrative costs expended during 2016	

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

**CITY OF LANCASTER
FAIRFIELD COUNTY**

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FISCAL YEAR ENDED DECEMBER 31, 2016
(continued)**

NOTE E - UNDER REPORTED EXPENDITURES

The following grants incurred expenditures in 2012 and 2015 that were not included on the 2012 and 2015 Schedules of Expenditures of Federal Awards.

The 2015 expenditures not included in the expenditure totals reported on the 2015 Schedule of Expenditures of Federal Awards. Under CFDA 66.460, CWA Section 319(h) Nonpoint Source Implementation Program, 2015 expenditures of \$95,643 were not included since the recipient originally identified the grant as a State of Ohio grant and not Federal.

The 2012 expenditures not included in the expenditure totals reported on the 2012 Schedule of Expenditures of Federal Awards. Under CFDA 97.036, Disaster Grants-Public Assistance (Presidentially Declared Disaster) expenditures of \$38,508 were incurred in 2012, but after the Ohio EMA finalized the Program Review for the City of Lancaster, PA-ID-045041720-00 it recommended a re-instatement of \$38,508 for insurance deductions taken in error by the FEMA Insurance Specialist.

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Noncompliance material to financial statements noted?	None noted

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	None noted
• Significant deficiency(ies) identified not considered to be material weakness(es)?	None noted
Type of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	None noted
Identification of major programs:	
CFDA 20.209 – Formula Grants for Rural Areas	
Dollar threshold to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted

Section III – Federal Awards Findings and Questioned Costs

None noted

Section IV – Summary Schedule of Prior Audit Findings

None noted



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Dave Yost • Auditor of State

CITY OF LANCASTER

FAIRFIELD COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST 29, 2017