



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF COSHOCTON
COSHOCTON COUNTY
DECEMBER 31, 2018**

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CITY OF COSHOCTON
COSHOCTON COUNTY
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

City of Coshocton
Coshocton County
760 Chestnut Street
Coshocton, Ohio 43812

To the City Council:

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 Coshocton, Coshocton County, Ohio (the City), as of and for the year ended December 31, 2018, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Coshocton, Coshocton County, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Fire, Street, and Safety, Security & Law Enforcement Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3A to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* and Schedules of Net Pension Liabilities/Net Pension Assets, Other Post-Employment Benefit Liabilities and Pension and Other Post-Employment Benefit Contributions listed in the Table of Contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on 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 the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

December 19, 2019

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

The management's discussion and analysis of the City of Coshocton's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- The total net position of the City decreased \$811,099 from the 2017 restated net position. Net position of governmental activities decreased \$796,705 or 19.74% under 2017's restated net position and net position of business-type activities decreased \$14,394 or 0.15% under the 2017's restated net position.
- General revenues accounted for \$8,192,329 or 79.82% of total governmental activities revenue. Program specific revenues accounted for \$2,071,091 or 20.18% of total governmental activities revenue.
- The City had \$11,060,188 in expenses related to governmental activities; \$2,071,091 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$8,989,097 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$8,192,392. General revenues were not adequate to cover expenses for 2018.
- The general fund had revenues and other financing sources of \$4,083,779 in 2018 and expenditures of \$4,243,274 in 2018. The general fund's fund balance decreased \$159,495 from a balance of \$1,474,833 to a balance of \$1,315,338.
- The fire fund had revenues of \$1,343,478 in 2018 and total expenditures of \$1,097,281 in 2018. The net increase in fund balance for the fire fund was \$246,197.
- The street fund had revenues of \$1,066,470 in 2018 with total expenditures of \$1,065,220 in 2018. The net increase in fund balance for the street fund was \$1,250.
- The safety, security and law enforcement fund had revenues of \$1,675,088 in 2018 with total expenditures of \$1,610,654 in 2018. The net increase in fund balance for the safety, security and law enforcement fund was \$64,434.
- Net position for the business-type activities, which are made up of the water, sewer, and solid waste enterprise funds, decreased in 2018 by \$14,394 under the 2017 balance.
- The water fund, a major enterprise fund, had operating revenues of \$3,218,602, operating and nonoperating expenses of \$3,288,271 and transfers in of \$25,000 in 2018. The net position of the water fund decreased \$44,669 or 0.83% from the 2017 restated net position balance.
- The sewer fund, a major enterprise fund, had operating revenues of \$2,111,224 and operating and nonoperating expenses of \$2,175,998 and transfers out of \$25,000 in 2018. The net position of the sewer fund decreased \$89,774 or 2.68% from the 2017 restated net position balance.
- The solid waste fund, a major enterprise fund, had operating revenues of \$835,107 in 2018 and operating expenses of \$809,493 in 2018. The net position of the solid waste fund increased \$25,614 or 3.38% from the 2017 restated net position balance.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

- In the general fund, the actual revenues and other financing sources came in \$98,984 higher than they were in the final budget and actual expenditures were \$270,336 less than the amount in the final budget. Budgeted revenues increased \$122,396 from the original to the final budget due primarily to an increase in projected income taxes. Budgeted expenditures increased \$165,121 from the original to the final budget due primarily to an increase in the estimated cost of general government.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities and deferred inflows using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in net position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, and solid waste operations are reported here.

The City's statement of net position and statement of activities can be found on pages 23-25 of this report.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 13.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, the fire fund, the street fund and the safety, security and law enforcement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 26-36 of this report.

Proprietary Funds

The City maintains two types of proprietary funds, enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and solid waste management functions. The City's water, sewer and solid waste enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for self-insurance. The basic proprietary fund financial statements can be found on pages 37-39 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. 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. The accounting used for fiduciary funds is much like that used for proprietary funds. A private-purpose trust and agency funds are the City's fiduciary fund types. The basic fiduciary fund financial statements can be found on pages 40-41 of this report.

CITY OF COSHOCTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 43-96 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 98-110 of this report.

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CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Government-Wide Financial Analysis

The statement of net position serves as a useful indicator of a government's financial position. The table below provides a summary of the City's net position for 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 3.

	Governmental Activities		Business-Type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Assets						
Current assets	\$ 9,588,753	\$ 8,757,443	\$ 6,274,776	\$ 6,787,065	\$ 15,863,529	\$ 15,544,508
Capital assets, net	7,015,959	7,486,063	17,953,379	18,043,412	24,969,338	25,529,475
Total assets	16,604,712	16,243,506	24,228,155	24,830,477	40,832,867	41,073,983
Deferred outflows of resources						
Pension	1,128,717	2,118,289	305,950	712,826	1,434,667	2,831,115
OPEB	411,114	29,255	60,988	11,436	472,102	40,691
Total deferred outflows of resources	1,539,831	2,147,544	366,938	724,262	1,906,769	2,871,806
Liabilities						
Current liabilities	1,220,276	814,400	580,874	363,986	1,801,150	1,178,386
Long-term liabilities:						
Due within one year	198,360	179,906	2,227,449	2,447,596	2,425,809	2,627,502
Net pension liability	5,622,120	7,143,191	1,187,565	1,817,255	6,809,685	8,960,446
Net OPEB liability	4,537,553	4,107,354	797,473	777,726	5,335,026	4,885,080
Other amounts	1,116,680	1,104,082	9,897,732	10,629,579	11,014,412	11,733,661
Total liabilities	12,694,989	13,348,933	14,691,093	16,036,142	27,386,082	29,385,075
Deferred inflows of resources						
Property taxes	892,538	877,465	-	-	892,538	877,465
Pension	966,239	128,919	327,236	11,398	1,293,475	140,317
OPEB	351,749	-	83,959	-	435,708	-
Total deferred inflows of resources	2,210,526	1,006,384	411,195	11,398	2,621,721	1,017,782
Net Position						
Net investment in capital assets	6,487,806	6,906,488	6,173,364	5,322,319	12,661,170	12,228,807
Restricted	3,282,483	3,094,938	-	-	3,282,483	3,094,938
Unrestricted (deficit)	(6,531,261)	(5,965,693)	3,319,441	4,184,880	(3,211,820)	(1,780,813)
Total net position	\$ 3,239,028	\$ 4,035,733	\$ 9,492,805	\$ 9,507,199	\$ 12,731,833	\$ 13,542,932

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). 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 OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

GASB notes that pension and OPEB 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 and other postemployment benefits. GASB noted that the unfunded portion of this 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 these liabilities. 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 Ohio Revised Code permits, but does not require, the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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 retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as 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 retirement system is responsible for the administration of the pension and OPEB plans.

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 or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities 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 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 and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

CITY OF COSHOCTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$8,113,832 to \$4,035,733 for governmental activities and \$10,273,489 to \$9,507,199 for business-type activities.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2018, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$12,731,833. At year-end, net position was \$3,239,028 and \$9,492,805 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 61.15% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles and infrastructure. Net investments in capital assets at December 31, 2018, were \$6,487,806 and \$6,173,364 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$3,282,483, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is a deficit of \$6,531,261.

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CITY OF COSHOCTON, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The table below shows the changes in net position for 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 3.

			Change in Net Position			
	Governmental Activities	Business-type Activities	Restated	Restated	2018 Total	Restated 2017 Total
			Governmental Activities	Business-type Activities		
	2018	2018	2017	2017		
Revenues:						
Program revenues:						
Charges for services	\$ 1,381,172	\$ 6,092,095	\$ 1,372,835	\$ 5,952,066	\$ 7,473,267	\$ 7,324,901
Operating grants and contributions	636,190	-	662,131	-	636,190	662,131
Capital grants and contributions	53,729	-	42,284	-	53,729	42,284
Total program revenues	<u>2,071,091</u>	<u>6,092,095</u>	<u>2,077,250</u>	<u>5,952,066</u>	<u>8,163,186</u>	<u>8,029,316</u>
General revenues:						
Property taxes	890,047	-	833,355	-	890,047	833,355
Income taxes	6,295,954	-	6,461,556	-	6,295,954	6,461,556
Lodging tax	71,606	-	75,224	-	71,606	75,224
JEDD revenue	194,661	-	117,964	-	194,661	117,964
Unrestricted grants and entitlements	236,579	-	473,257	-	236,579	473,257
Investment earnings	77,190	-	6,590	-	77,190	6,590
Miscellaneous	426,355	72,838	160,816	46,992	499,193	207,808
Total general revenues	<u>8,192,392</u>	<u>72,838</u>	<u>8,128,762</u>	<u>46,992</u>	<u>8,265,230</u>	<u>8,175,754</u>
Total revenues	<u>10,263,483</u>	<u>6,164,933</u>	<u>10,206,012</u>	<u>5,999,058</u>	<u>16,428,416</u>	<u>16,205,070</u>
Expenses:						
General government	2,732,844	-	2,493,290	-	2,732,844	2,493,290
Security of persons and property	4,270,085	-	3,963,121	-	4,270,085	3,963,121
Public health and welfare	1,463,270	-	1,646,732	-	1,463,270	1,646,732
Transportation	2,223,584	-	2,372,761	-	2,223,584	2,372,761
Community environment	36,731	-	37,738	-	36,731	37,738
Leisure time activity	287,088	-	262,712	-	287,088	262,712
Urban redevelopment and housing	39,601	-	115,277	-	39,601	115,277
Other	1,201	-	-	-	1,201	-
Interest and fiscal charges	5,784	-	5,912	-	5,784	5,912
Water	-	3,240,821	-	3,185,575	3,240,821	3,185,575
Sewer	-	2,129,013	-	2,102,365	2,129,013	2,102,365
Solid waste	-	809,493	-	735,898	809,493	735,898
Total expenses	<u>11,060,188</u>	<u>6,179,327</u>	<u>10,897,543</u>	<u>6,023,838</u>	<u>17,239,515</u>	<u>16,921,381</u>
Change in net position	(796,705)	(14,394)	(691,531)	(24,780)	(811,099)	(716,311)
Net position at beginning of year (restated)	<u>4,035,733</u>	<u>9,507,199</u>	<u>N/A</u>	<u>N/A</u>	<u>13,542,932</u>	<u>N/A</u>
Net position at end of year	<u>\$ 3,239,028</u>	<u>\$ 9,492,805</u>	<u>\$ 4,035,733</u>	<u>\$ 9,507,199</u>	<u>\$ 12,731,833</u>	<u>\$ 13,542,932</u>

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$40,691 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$466,664.

Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Total 2018 program expenses under GASB 75	\$ 11,060,188	\$ 6,179,327
OPEB expense under GASB 75	(410,207)	(56,457)
2018 contractually required contributions	<u>10,119</u>	<u>2,302</u>
Adjusted 2018 program expenses	10,660,100	6,125,172
Total 2017 program expenses under GASB 45	<u>10,897,543</u>	<u>6,023,838</u>
Increase (decrease) in program expenses not related to OPEB	<u>\$ (237,443)</u>	<u>\$ 101,334</u>

Governmental Activities

Governmental activities net position decreased \$796,705 in 2018.

Security of persons and property, which primarily supports the sheriff's contracts accounted for \$4,270,085 of the total expenses of the City. General government expenses totaled \$2,732,844. General government expenses were partially funded by \$508,380 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$636,190 in operating grants and contributions and \$53,729 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of these total grants and contributions, \$572,152 subsidized transportation programs.

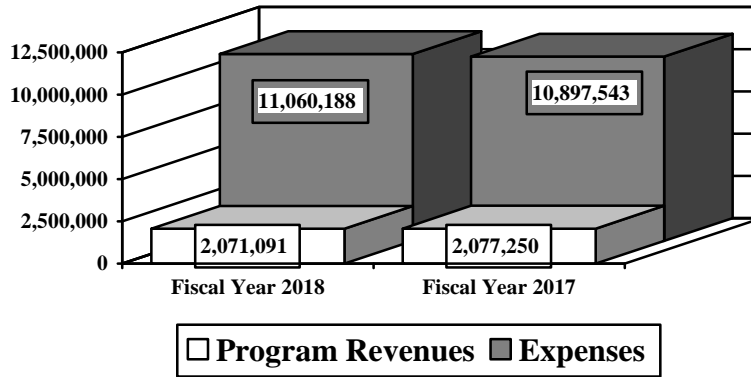
General revenues totaled \$8,192,392 and amounted to 79.82% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$7,186,001. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$236,579.

CITY OF COSHOCTON, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon general revenues (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities as program revenues are not sufficient to cover total governmental expenses for 2018.

Governmental Activities – Program Revenues vs. Total Expenses



Governmental Activities

	<u>Total Cost of Services 2018</u>	<u>Net Cost of Services 2018</u>	<u>Total Cost of Services 2017</u>	<u>Net Cost of Services 2017</u>
Program Expenses:				
General government	\$ 2,732,844	\$ 2,224,118	\$ 2,493,290	\$ 2,024,962
Security of persons and property	4,270,085	4,270,085	3,963,121	3,963,121
Public health and welfare	1,463,270	549,122	1,646,732	707,155
Transportation	2,223,584	1,649,847	2,372,761	1,785,838
Community environment	36,731	35,806	37,738	36,813
Leisure time activity	287,088	273,623	262,712	242,076
Urban redevelopment and housing	39,601	(20,489)	115,277	54,416
Other	1,201	1,201	-	-
Interest and fiscal charges	5,784	5,784	5,912	5,912
Total	<u>\$ 11,060,188</u>	<u>\$ 8,989,097</u>	<u>\$ 10,897,543</u>	<u>\$ 8,820,293</u>

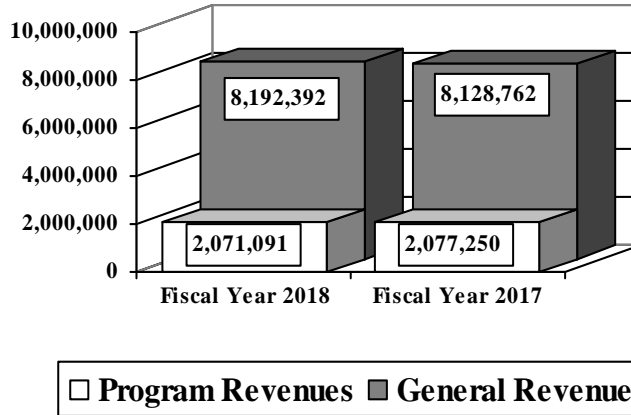
The dependence upon general revenues for governmental activities is apparent, with 74.07% of expenses supported through taxes and other general revenues.

CITY OF COSHOCTON, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The chart below illustrates the City’s program revenues versus general revenues for 2018 and 2017.

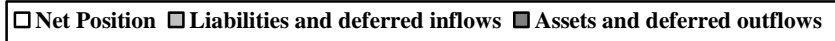
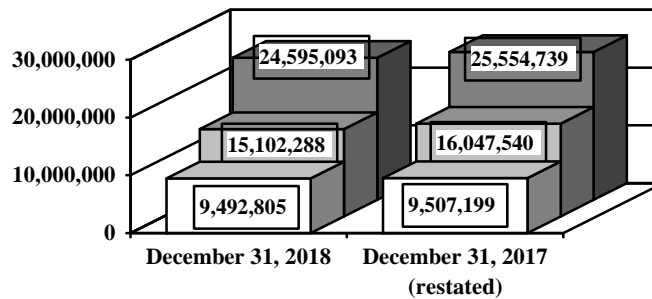
Governmental Activities – General and Program Revenues



Business-type Activities

Business-type activities include the water, sewer, and solid waste enterprise funds. These programs had program revenues of \$6,092,095 and expenses of \$6,179,327 for 2018. The graph below shows the business-type activities assets, deferred outflows, liabilities, deferred inflows and net position at year-end. The net position at December 31, 2017 has been restated as described in Note 3.

Net Position in Business – Type Activities



Financial Analysis of the Government’s Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unassigned fund balance serves as a useful measure of the City’s net resources available for spending at year-end.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

The City's governmental funds reported a combined fund balance of \$6,243,331 which is \$441,751 above last year's total of \$5,801,580.

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2018 and 2017 for all major and nonmajor governmental funds.

	<u>Fund Balances</u> 12/31/18	<u>Fund Balances</u> 12/31/17	<u>Change</u>
Major funds:			
General	\$ 1,315,338	\$ 1,474,833	\$ (159,495)
Fire	794,267	548,070	246,197
Street	351,520	350,270	1,250
Safety, security and law enforcement	572,530	508,096	64,434
Other nonmajor governmental funds	<u>3,209,676</u>	<u>2,920,311</u>	<u>289,365</u>
Total	<u>\$ 6,243,331</u>	<u>\$ 5,801,580</u>	<u>\$ 441,751</u>

General Fund

The City's general fund balance decreased \$159,495. The table that follows assists in illustrating the revenues of the general fund.

	<u>2018</u> Amount	<u>2017</u> Amount	<u>Percentage</u> Change
Revenues			
Taxes	\$ 2,900,379	\$ 2,846,517	1.89 %
Charges for services	258,682	308,355	(16.11) %
Licenses and permits	264,928	216,905	22.14 %
Fines and forfeitures	2,511	669	275.34 %
Investment income	77,190	6,590	1,071.32 %
Intergovernmental	203,974	417,739	(51.17) %
JEDD revenue	97,817	59,276	65.02 %
Other	<u>267,234</u>	<u>45,393</u>	488.71 %
Total	<u>\$ 4,072,715</u>	<u>\$ 3,901,444</u>	4.39 %

Tax revenue represents 71.21% of all general fund revenue. The increase in investment income is due to the increase in the investments made by the City and the amount of interest on the City's various accounts.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

The table that follows assists in illustrating the expenditures of the general fund.

<u>Expenditures</u>	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
General government	\$ 2,370,444	\$ 1,968,533	20.42 %
Security of persons and property	997,623	932,539	6.98 %
Public health and welfare	642,654	571,087	12.53 %
Community environment	36,731	37,738	(2.67) %
Leisure time activity	180,169	148,161	21.60 %
Capital outlay	9,594	8,361	14.75 %
Debt service	<u>6,059</u>	<u>3,906</u>	55.12 %
 Total	 <u>\$ 4,243,274</u>	 <u>\$ 3,670,325</u>	 15.61 %

The City's total expenditures increased during 2018 by \$572,949. The increase in general governmental expenditures is related to an increase in municipal court costs and income tax administration costs. Security of persons and property expenditures increased due to an increase in costs related to fire department personal costs. The increase in public health and welfare is due to an increase in cemetery expenditures.

Fire Fund

The fire fund had revenues of \$1,343,478 in 2018 and total expenditures of \$1,097,281 in 2018. The net increase in fund balance for the fire fund was \$246,197.

Street Fund

The street fund had revenues of \$1,066,470 in 2018 with total expenditures of \$1,065,220 in 2018. The net increase in fund balance for the street fund was \$1,250.

Safety, Security and Law Enforcement Fund

The safety, security and law enforcement fund had revenues of \$1,675,088 in 2018 with total expenditures of \$1,610,654 in 2018. The net increase in fund balance for the safety, security and law enforcement fund was \$64,434.

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated resources certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund, the fire fund, the street fund and safety, security and law enforcement fund. In the general fund, one of the most significant changes was between the original and final budgeted amount in the area of revenues, which increased \$122,396 from \$3,968,230 to \$4,090,626. Actual revenues and other financing sources of \$4,189,610 were more than final budgeted revenues by \$98,984. The other significant change was between the final budgeted expenditures and original budgeted expenditures. Original budgeted expenditures came in \$165,121 lower than the final budgeted amounts. Actual expenditures of \$4,112,634 were less than final budgeted expenditures by \$270,336.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Proprietary Funds

The City's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

The City's enterprise funds reported a combined net position of \$9,408,131. The schedule below indicates the net position and the total change in net position as of December 31, 2018 for all enterprise funds.

	<u>Net Position</u> <u>12/31/18</u>	<u>Restated</u> <u>Net Position</u> <u>12/31/17</u>	<u>Change</u>
Major funds:			
Water	\$ 5,357,996	\$ 5,402,665	\$ (44,669)
Sewer	3,265,882	3,355,656	(89,774)
Solid waste	<u>784,253</u>	<u>758,639</u>	<u>25,614</u>
Total	<u>\$ 9,408,131</u>	<u>\$ 9,516,960</u>	<u>\$ (108,829)</u>

Water Fund

The City's Water fund net position decreased \$44,669 due mainly to an increase in contractual services and materials and supplies expenses.

The following tables illustrate the revenues and expenses of the water fund.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Operating Revenues</u>			
Charges for services	\$ 3,160,695	\$ 3,126,678	1.09 %
Special assessment revenue	87	-	N/A %
Other	<u>57,820</u>	<u>34,191</u>	69.11 %
Total	<u>\$ 3,218,602</u>	<u>\$ 3,160,869</u>	1.83 %
<u>Operating Expenses</u>			
Personal services	\$ 1,075,285	\$ 1,062,511	1.20 %
Contractual services	198,186	139,850	41.71 %
Materials and supplies	1,073,674	942,138	13.96 %
Depreciation	790,882	815,694	(3.04) %
Other	<u>1,000</u>	<u>399</u>	150.63 %
Total	<u>\$ 3,139,027</u>	<u>\$ 2,960,592</u>	6.03 %

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Nonoperating Expenses</u>			
Interest expense and fiscal charges	\$ (149,244)	\$ (233,412)	(36.06) %
Total	<u>\$ (149,244)</u>	<u>\$ (233,412)</u>	(36.06) %
<u>Capital Contributions and Transfers</u>			
Transfers	\$ 25,000	\$ 75,000	(66.67) %
Total	<u>\$ 25,000</u>	<u>\$ 75,000</u>	(66.67) %

Sewer Fund

The City's sewer fund net position decreased \$89,774 due to a slight increase in charges for services and a increases in materials and supplies expenses and depreciation expenses. The following tables illustrate the revenues and expenses of the sewer fund.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Operating Revenues</u>			
Charges for services	\$ 2,096,206	\$ 1,993,666	5.14 %
Other	<u>15,018</u>	<u>12,801</u>	17.32 %
Total	<u>\$ 2,111,224</u>	<u>\$ 2,006,467</u>	5.22 %
<u>Operating Expenses</u>			
Personal services	\$ 772,074	\$ 851,310	(9.31) %
Contractual services	204,956	217,770	(5.88) %
Materials and supplies	565,019	432,414	30.67 %
Depreciation	<u>456,426</u>	<u>436,013</u>	4.68 %
Total	<u>\$ 1,998,475</u>	<u>\$ 1,937,507</u>	3.15 %
<u>Nonoperating Expenses</u>			
Interest expense and fiscal charges	\$ (167,073)	\$ (172,520)	(3.16) %
Loss on sale of capital assets	<u>(10,450)</u>	<u>-</u>	N/A %
Total	<u>\$ (177,523)</u>	<u>\$ (172,520)</u>	2.90 %
<u>Capital Contributions and Transfers</u>			
Transfers	\$ (25,000)	\$ (75,000)	(66.67) %
Total	<u>\$ (25,000)</u>	<u>\$ (75,000)</u>	(66.67) %

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Solid Waste Fund

The City's Solid Waste fund net position increased \$25,614 due mainly to increasing revenues continuing to outpace expenses.

The following tables illustrate the revenues and expenses of the solid waste fund.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Operating Revenues</u>			
Charges for services	\$ 835,107	\$ 831,722	0.41 %
Total	<u>\$ 835,107</u>	<u>\$ 831,722</u>	0.41 %
<u>Operating Expenses</u>			
Personal services	\$ 8,381	\$ 10,191	(17.76) %
Contractual services	727,607	725,701	0.26 %
Materials and supplies	71,997	6	1,199,850.00 %
Depreciation	<u>1,508</u>	<u>-</u>	N/A %
Total	<u>\$ 809,493</u>	<u>\$ 735,898</u>	10.00 %

Capital Assets and Debt Administration

Capital Assets

At the end of 2018, the City had \$24,969,338 (net of accumulated depreciation) invested in land, buildings and improvements, land improvements, furniture and equipment, vehicles and infrastructure. Of this total, \$7,015,959 was reported in governmental activities and \$17,953,379 was reported in business-type activities. See Note 10 for further description of capital assets. The following table shows 2018 balances compared to 2017:

**Capital Assets at December 31
(Net of Depreciation)**

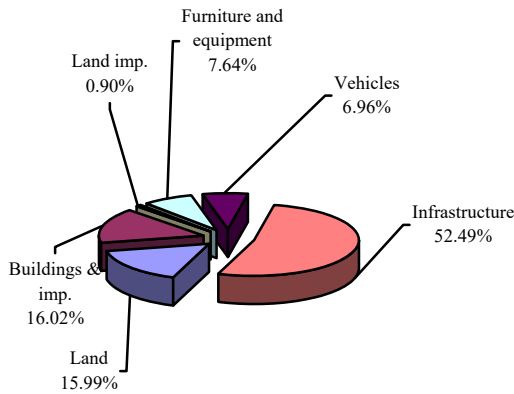
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 1,121,420	\$ 1,059,518	\$ 679,401	\$ 591,950	\$ 1,800,821	\$ 1,651,468
Land improvements	63,199	58,066	19,404	3,261	82,603	61,327
Buildings and improvements	1,124,296	1,182,208	4,900,467	4,884,131	6,024,763	6,066,339
Furniture and equipment	535,855	509,921	4,630,679	4,254,087	5,166,534	4,764,008
Vehicles	488,623	635,883	361,041	360,334	849,664	996,217
Infrastructure	3,682,566	4,040,467	-	-	3,682,566	4,040,467
Water and sewer lines	<u>-</u>	<u>-</u>	<u>7,362,387</u>	<u>7,949,649</u>	<u>7,362,387</u>	<u>7,949,649</u>
Totals	<u>\$ 7,015,959</u>	<u>\$ 7,486,063</u>	<u>\$ 17,953,379</u>	<u>\$ 18,043,412</u>	<u>\$ 24,969,338</u>	<u>\$ 25,529,475</u>

CITY OF COSHOCTON, OHIO

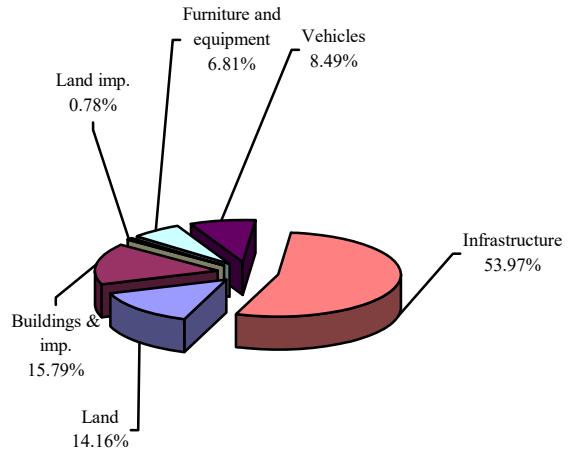
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The following graphs show the breakdown of governmental capital assets by category for 2018 and 2017.

Capital Assets - Governmental Activities 2018



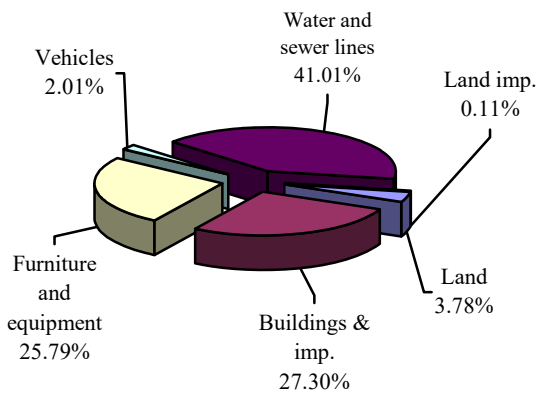
Capital Assets - Governmental Activities 2017



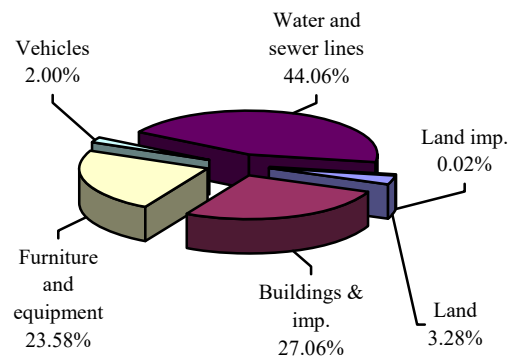
The City's largest governmental capital asset category is infrastructure. The net book value of this category (cost less accumulated depreciation) represents approximately 52.49% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2018 and 2017.

Capital Assets - Business-Type Activities 2018



Capital Assets - Business-Type Activities 2017



The City's largest business-type capital asset category is water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's water and sewer lines (cost less accumulated depreciation) represents approximately 41.01% of the City's total business-type capital assets.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Debt Administration

The City had the following debt outstanding at December 31, 2018 and 2017:

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
OPWC loans	\$ 360,320	\$ 398,294
Loan payable	152,009	171,252
Capital lease obligation	<u>15,824</u>	<u>10,029</u>
Total long-term obligations	<u>\$ 528,153</u>	<u>\$ 579,575</u>
	Business-type Activities	
	<u>2018</u>	<u>2017</u>
OWDA loans	\$ 9,988,584	\$ 10,682,104
OPWC loans	344,911	373,989
Capital lease obligation	6,520	-
Bond anticipation notes	<u>1,440,000</u>	<u>1,665,000</u>
Total long-term obligations	<u>\$ 11,780,015</u>	<u>\$ 12,721,093</u>

Further detail on the City's long-term obligations can be found in Note 13 to the financial statements.

Economic Conditions and Outlook

The City's administration considers the impact of various economic factors when establishing the budget. The continued challenges resulting from regional loss of employment, stagnant economic development, and the general national recession, have yielded significant influence on the objectives established in the 2018 budget. The primary objectives include continued improvement to constituent service delivery, as well as long-term fiscal stability.

The City continues to carefully monitor two primary sources of revenue – local income taxes and shared intergovernmental (State) revenue. In order to meet the objectives of the 2018 budget, the City emphasized various efforts to continue to contain costs while pursuing new sources of revenue over the past several years. Beginning in 2005, a ½% income tax increase was passed specifically for the operational expenses and capital improvements of the fire department. A 5-year 2.4 mil levy for Streets was passed in May 2014 with an estimated revenue of \$425,000 annually. The Street levy was passed again for an additional 5 years on November 6, 2018. In May of 2015, a ½% increase in the municipal income tax was passed, with the increase to be effective July 1, 2015. The purpose of the increase is for Safety, Security and Law Enforcement and will generate an estimated \$1,600,000.

A Job Creation Grant Agreement was signed with Kraft Foods with an estimated 300 new jobs to be created by December 31, 2017 and is expected to result in approximately \$8,736,000 of additional annual payroll.

CITY OF COSHOCTON, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

The City of Coshocton and the Village of West Lafayette entered into an agreement in March 2019 that will allow the City of Coshocton to become a regional water supplier to the Village of West Lafayette. The City of Coshocton will be providing \$7,153,000 in matching funds toward the project. These matching funds will be provided by the Ohio EPA through their Water Supply Revolving Loan Account. The City is anticipating being awarded 75% principal forgiveness on this loan amount from the Ohio EPA. This collaboration will generate up to \$246,767 additional water revenue and will bring in approximately 900 customers.

The average unemployment rate for Coshocton County in 2018 was 6.3%, compared to State of Ohio's average rate of 4.6%. With the continuation of conservative budgeting practices, the City's overall financial position is anticipated to remain stable in the future years.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and 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, please contact Sherry Kirkpatrick, City Auditor, City of Coshocton, City Hall, 760 Chestnut Street, Coshocton, OH 43812.

**BASIC
FINANCIAL STATEMENTS**

CITY OF COSHOCTON, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents . . .	\$ 6,917,859	\$ 5,255,705	\$ 12,173,564
Receivables:			
Income taxes	1,070,292	-	1,070,292
Property and other local taxes	950,124	-	950,124
Accounts	102,328	841,339	943,667
Accrued interest	414	-	414
Special assessments	1,733	93	1,826
Internal balances	(84,674)	84,674	-
Due from other governments	508,141	345	508,486
Materials and supplies inventory	93,931	92,367	186,298
Due from JEDDS	28,053	-	28,053
Net pension asset	552	253	805
Capital assets:			
Land and construction in progress	1,121,420	679,401	1,800,821
Depreciable capital assets, net.	5,894,539	17,273,978	23,168,517
Total capital assets, net.	7,015,959	17,953,379	24,969,338
Total assets	16,604,712	24,228,155	40,832,867
Deferred outflows of resources:			
Pension	1,128,717	305,950	1,434,667
OPEB	411,114	60,988	472,102
Total deferred outflows of resources	1,539,831	366,938	1,906,769
Liabilities:			
Accounts payable	190,823	477,841	668,664
Contracts payable	642,464	-	642,464
Accrued wages and benefits payable	134,473	46,979	181,452
Due to other governments	193,931	19,009	212,940
Accrued interest payable	-	37,045	37,045
Claims payable	58,585	-	58,585
Long-term liabilities:			
Due within one year	198,360	2,227,449	2,425,809
Due in more than one year			
Net pension liability	5,622,120	1,187,565	6,809,685
Net OPEB liability	4,537,553	797,473	5,335,026
Other amounts due in more than one year	1,116,680	9,897,732	11,014,412
Total liabilities	12,694,989	14,691,093	27,386,082
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	892,538	-	892,538
Pension	966,239	327,236	1,293,475
OPEB	351,749	83,959	435,708
Total deferred inflows of resources	2,210,526	411,195	2,621,721
Net position:			
Net investment in capital assets	6,487,806	6,173,364	12,661,170
Restricted for:			
Capital projects	1,608,168	-	1,608,168
Perpetual care:			
Expendable	179,774	-	179,774
Nonexpendable	250,000	-	250,000
Transportation projects	218,426	-	218,426
Public health and welfare programs	14,658	-	14,658
Public safety programs	734,282	-	734,282
Other purposes	277,175	-	277,175
Unrestricted (deficit)	(6,531,261)	3,319,441	(3,211,820)
Total net position	\$ 3,239,028	\$ 9,492,805	\$ 12,731,833

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Current:				
General government	\$ 2,732,844	\$ 508,380	\$ 346	\$ -
Security of persons and property . . .	4,270,085	-	-	-
Public health and welfare	1,463,270	856,817	57,331	-
Transportation	2,223,584	1,585	518,423	53,729
Community environment	36,731	925	-	-
Leisure time activity	287,088	13,465	-	-
Urban redevelopment and housing . .	39,601	-	60,090	-
Other	1,201	-	-	-
Interest and fiscal charges	5,784	-	-	-
Total governmental activities	<u>11,060,188</u>	<u>1,381,172</u>	<u>636,190</u>	<u>53,729</u>
Business-type activities:				
Water	3,240,821	3,160,782	-	-
Sewer	2,129,013	2,096,206	-	-
Solid waste	809,493	835,107	-	-
Total business-type activities	<u>6,179,327</u>	<u>6,092,095</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 17,239,515</u>	<u>\$ 7,473,267</u>	<u>\$ 636,190</u>	<u>\$ 53,729</u>

General revenues:

Property taxes levied for:
General purposes
Street Levy Fund
Fire pension fund
Income taxes levied for:
General purposes
Fire fund
Safety and Security fund
Retirement fund
Street fund
Street debt fund
Capital project fund
JEDD revenue levied for:
General purposes
Special revenue
Lodging tax levied for
General purposes
Special revenue
Grants and entitlements not restricted
to specific programs
Investment earnings
Miscellaneous
Total general revenues
Change in net position
Net position at beginning of year (restated)
Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (2,224,118)	\$ -	\$ (2,224,118)
(4,270,085)	-	(4,270,085)
(549,122)	-	(549,122)
(1,649,847)	-	(1,649,847)
(35,806)	-	(35,806)
(273,623)	-	(273,623)
20,489	-	20,489
(1,201)	-	(1,201)
(5,784)	-	(5,784)
<u>(8,989,097)</u>	<u>-</u>	<u>(8,989,097)</u>
-	(80,039)	(80,039)
-	(32,807)	(32,807)
-	25,614	25,614
<u>-</u>	<u>(87,232)</u>	<u>(87,232)</u>
<u>(8,989,097)</u>	<u>(87,232)</u>	<u>(9,076,329)</u>
414,447	-	414,447
425,878	-	425,878
49,722	-	49,722
2,341,509	-	2,341,509
1,189,934	-	1,189,934
1,536,217	-	1,536,217
47,598	-	47,598
571,169	-	571,169
54,225	-	54,225
555,302	-	555,302
97,817	-	97,817
96,844	-	96,844
5,166	-	5,166
66,440	-	66,440
236,579	-	236,579
77,190	-	77,190
426,355	72,838	499,193
<u>8,192,392</u>	<u>72,838</u>	<u>8,265,230</u>
(796,705)	(14,394)	(811,099)
<u>4,035,733</u>	<u>9,507,199</u>	<u>13,542,932</u>
<u>\$ 3,239,028</u>	<u>\$ 9,492,805</u>	<u>\$ 12,731,833</u>

CITY OF COSHOCTON, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	<u>General</u>	<u>Fire</u>	<u>Street</u>	<u>Safety, Security & Law Enforcement</u>
Assets:				
Equity in pooled cash and cash equivalents . . .	\$ 1,486,986	\$ 739,054	\$ 236,142	\$ 460,329
Receivables:				
Income taxes.	396,160	200,829	96,398	266,975
Property and other local taxes	449,384	-	-	-
Accounts.	81,486	-	-	-
Accrued interest	-	-	322	-
Special assessments	100	-	1,633	-
Due from other funds	283	-	-	-
Due from other governments.	138,775	402	207,534	-
Materials and supplies inventory.	1,758	-	92,173	-
Due from external parties	14,097	6,978	-	6,978
Total assets	<u>\$ 2,569,029</u>	<u>\$ 947,263</u>	<u>\$ 634,202</u>	<u>\$ 734,282</u>
Liabilities:				
Accounts payable.	\$ 138,427	\$ 6,091	\$ 12,700	\$ -
Contracts payable.	-	-	10,000	-
Accrued wages and benefits payable	103,723	-	17,615	-
Due to other funds	-	-	-	-
Due to other governments	143,689	25,229	7,418	-
Total liabilities	<u>385,839</u>	<u>31,320</u>	<u>47,733</u>	<u>-</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year. . .	423,687	-	-	-
Delinquent property tax revenue not available. . .	25,697	-	-	-
Special assessments revenue not available. . . .	100	-	1,633	-
Miscellaneous revenue not available.	58,026	-	-	-
Income tax revenue not available	240,021	121,676	58,405	161,752
Other nonexchange transactions not available . . .	120,321	-	174,911	-
Total deferred inflows of resources	<u>867,852</u>	<u>121,676</u>	<u>234,949</u>	<u>161,752</u>
Total liabilities and deferred inflows of resources.	<u>1,253,691</u>	<u>152,996</u>	<u>282,682</u>	<u>161,752</u>
Fund balances:				
Nonspendable	4,869	-	92,173	-
Restricted.	-	794,267	259,347	572,530
Committed	-	-	-	-
Assigned	534,696	-	-	-
Unassigned (deficit).	775,773	-	-	-
Total fund balances.	<u>1,315,338</u>	<u>794,267</u>	<u>351,520</u>	<u>572,530</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,569,029</u>	<u>\$ 947,263</u>	<u>\$ 634,202</u>	<u>\$ 734,282</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 3,778,195	\$ 6,700,706
109,930	1,070,292
500,740	950,124
7,130	88,616
92	414
-	1,733
-	283
161,430	508,141
-	93,931
-	28,053
<u>\$ 4,557,517</u>	<u>\$ 9,442,293</u>
\$ 33,605	\$ 190,823
632,464	642,464
13,135	134,473
283	283
17,595	193,931
<u>697,082</u>	<u>1,161,974</u>
468,851	892,538
28,437	54,134
-	1,733
-	58,026
66,603	648,457
86,868	382,100
<u>650,759</u>	<u>2,036,988</u>
<u>1,347,841</u>	<u>3,198,962</u>
250,000	347,042
2,420,689	4,046,833
540,970	540,970
-	534,696
(1,983)	773,790
<u>3,209,676</u>	<u>6,243,331</u>
<u>\$ 4,557,517</u>	<u>\$ 9,442,293</u>

CITY OF COSHOCTON, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

Total governmental fund balances	\$	6,243,331
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		7,015,959
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 648,457	
Property taxes receivable	54,134	
Miscellaneous receivable	58,026	
Intergovernmental receivable	382,100	
Special assessments receivable	1,733	
Total	1,144,450	1,144,450
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. The net position of the internal service fund, including internal balances of \$84,674, is:		87,606
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. The long-term liabilities are as follows:		
Capital lease payable	(15,824)	
Loan payable	(152,009)	
OPWC loans	(360,320)	
Compensated absences	(786,887)	
Total	(1,315,040)	(1,315,040)
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows	1,128,717	
Deferred inflows	(966,239)	
Net pension asset	552	
Net pension liability	(5,622,120)	
Total	(4,459,090)	(4,459,090)
The net OPEB liability is not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources	411,114	
Deferred inflows of resources	(351,749)	
Net OPEB liability	(4,537,553)	
Total	(4,478,188)	(4,478,188)
Net position of governmental activities	\$	3,239,028

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF COSHOCTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General</u>	<u>Fire</u>	<u>Street</u>	<u>Safety, Security & Law Enforcement</u>
Revenues:				
Income taxes	\$ 2,482,778	\$ 1,259,521	\$ 604,570	\$ 1,626,666
Property and other taxes.	417,601	-	-	-
Charges for services.	258,682	-	-	-
Licenses and permits	264,928	-	-	-
Fines and forfeitures	2,511	-	-	-
Intergovernmental.	203,974	-	434,296	-
Special assessments	93	-	1,524	-
Investment income.	77,190	-	1,717	-
JEDD revenue.	97,817	48,422	-	48,422
Other	267,141	35,535	24,363	-
Total revenues	<u>4,072,715</u>	<u>1,343,478</u>	<u>1,066,470</u>	<u>1,675,088</u>
Expenditures:				
Current:				
General government	2,370,444	-	-	-
Security of persons and property	997,623	1,097,281	-	1,610,654
Public health and welfare.	642,654	-	-	-
Transportation	-	-	1,040,983	-
Community environment	36,731	-	-	-
Leisure time activity	180,169	-	-	-
Urban redevelopment and housing	-	-	-	-
Other	-	-	-	-
Capital outlay	9,594	-	-	-
Debt service:				
Principal retirement.	5,269	-	19,243	-
Interest and fiscal charges	790	-	4,994	-
Total expenditures	<u>4,243,274</u>	<u>1,097,281</u>	<u>1,065,220</u>	<u>1,610,654</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(170,559)</u>	<u>246,197</u>	<u>1,250</u>	<u>64,434</u>
Other financing sources:				
Capital lease transaction.	11,064	-	-	-
Total other financing sources	<u>11,064</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(159,495)	246,197	1,250	64,434
Fund balances at beginning of year	<u>1,474,833</u>	<u>548,070</u>	<u>350,270</u>	<u>508,096</u>
Fund balances at end of year	<u>\$ 1,315,338</u>	<u>\$ 794,267</u>	<u>\$ 351,520</u>	<u>\$ 572,530</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Other Governmental Funds	Total Governmental Funds
\$ 691,214	\$ 6,664,749
540,961	958,562
670,760	929,442
33,941	298,869
73,309	75,820
256,545	894,815
-	1,617
14,188	93,095
-	194,661
116,553	443,592
<u>2,397,471</u>	<u>10,555,222</u>
169,861	2,540,305
56,389	3,761,947
788,940	1,431,594
556,183	1,597,166
-	36,731
11,758	191,927
39,601	39,601
1,201	1,201
446,199	455,793
37,974	62,486
-	5,784
<u>2,108,106</u>	<u>10,124,535</u>
<u>289,365</u>	<u>430,687</u>
-	11,064
-	11,064
289,365	441,751
2,920,311	5,801,580
<u>\$ 3,209,676</u>	<u>\$ 6,243,331</u>

CITY OF COSHOCTON, 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, 2018

Net change in fund balances - total governmental funds	\$	441,751
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.		
Capital asset additions	\$ 291,061	
Current year depreciation	(758,522)	
Total		(467,461)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to increase net position.		
		(2,643)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	(368,795)	
Property taxes	3,091	
Miscellaneous	58,026	
Intergovernmental revenues	15,778	
Special assessments	161	
Total		(291,739)
Repayment of note and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		62,486
Proceeds of capital leases are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position		
		(11,064)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(82,474)
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	583,944	
OPEB	10,119	
Total		594,063
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(889,271)	
OPEB	(410,207)	
Total		(1,299,478)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue of the internal service fund, including internal balance activity of \$94,435, is allocated among the governmental activities.		
		259,854
Change in net position of governmental activities	\$	(796,705)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, 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, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 2,435,232	\$ 2,510,344	\$ 2,495,906	\$ (14,438)
Property and other taxes.	405,489	417,996	418,161	165
Charges for services.	277,532	286,092	258,485	(27,607)
Licenses and permits	255,034	262,900	265,018	2,118
Fines and forfeitures	679	700	2,511	1,811
Intergovernmental.	297,522	306,699	308,849	2,150
Special assessments	52	54	93	39
Investment income.	50,929	52,500	62,202	9,702
JEDD revenue.	95,257	98,195	98,195	-
Other	150,504	155,146	269,126	113,980
Total revenues	<u>3,968,230</u>	<u>4,090,626</u>	<u>4,178,546</u>	<u>87,920</u>
Expenditures:				
Current:				
General government	2,295,182	2,421,493	2,272,548	148,945
Security of persons and property	1,030,000	968,728	951,343	17,385
Public health and welfare.	650,235	734,757	644,258	90,499
Community environment	71,847	59,147	54,490	4,657
Leisure time activity	170,585	198,845	178,931	19,914
Capital outlay	-	-	9,594	(9,594)
Debt service:				
Principal retirement.	-	-	1,470	(1,470)
Total expenditures	<u>4,217,849</u>	<u>4,382,970</u>	<u>4,112,634</u>	<u>270,336</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(249,619)</u>	<u>(292,344)</u>	<u>65,912</u>	<u>358,256</u>
Other financing sources:				
Capital lease transaction.	-	-	11,064	11,064
Total other financing sources	<u>-</u>	<u>-</u>	<u>11,064</u>	<u>11,064</u>
Net change in fund balances	(249,619)	(292,344)	76,976	369,320
Fund balances at beginning of year	1,361,994	1,361,994	1,361,994	-
Prior year encumbrances appropriated	30,892	30,892	30,892	-
Fund balance at end of year.	<u>\$ 1,143,267</u>	<u>\$ 1,100,542</u>	<u>\$ 1,469,862</u>	<u>\$ 369,320</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 FIRE FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 1,148,088	\$ 1,260,000	\$ 1,265,276	\$ 5,276
JEDD revenue.	44,292	48,610	48,610	-
Other	32,620	35,800	35,829	29
Total revenues	<u>1,225,000</u>	<u>1,344,410</u>	<u>1,349,715</u>	<u>5,305</u>
Expenditures:				
Current:				
Security of persons and property	<u>1,238,200</u>	<u>1,238,200</u>	<u>1,152,237</u>	<u>85,963</u>
Total expenditures	<u>1,238,200</u>	<u>1,238,200</u>	<u>1,152,237</u>	<u>85,963</u>
Net change in fund balances	(13,200)	106,210	197,478	91,268
Fund balances at beginning of year	<u>540,126</u>	<u>540,126</u>	<u>540,126</u>	<u>-</u>
Fund balance at end of year	<u>\$ 526,926</u>	<u>\$ 646,336</u>	<u>\$ 737,604</u>	<u>\$ 91,268</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 STREET FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 595,367	\$ 604,500	\$ 607,333	\$ 2,833
Intergovernmental.	433,353	440,000	430,276	(9,724)
Special assessments	1,514	1,537	1,524	(13)
Investment income.	1,330	1,350	1,408	58
Other	24,586	24,963	24,737	(226)
Total revenues	<u>1,056,150</u>	<u>1,072,350</u>	<u>1,065,278</u>	<u>(7,072)</u>
Expenditures:				
Current:				
Transportation	1,133,224	1,192,529	1,103,154	89,375
Debt service:				
Principal retirement.	19,243	19,243	19,243	-
Interest and fiscal charges	5,757	5,757	4,994	763
Total expenditures	<u>1,158,224</u>	<u>1,217,529</u>	<u>1,127,391</u>	<u>90,138</u>
 Net change in fund balances	 (102,074)	 (145,179)	 (62,113)	 83,066
 Fund balances at beginning of year	 262,610	 262,610	 262,610	 -
Prior year encumbrances appropriated	<u>25,474</u>	<u>25,474</u>	<u>25,474</u>	<u>-</u>
Fund balance at end of year	<u>\$ 186,010</u>	<u>\$ 142,905</u>	<u>\$ 225,971</u>	<u>\$ 83,066</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 SAFETY, SECURITY & LAW ENFORCEMENT FUND
 FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Income taxes	\$ 1,470,000	\$ 1,470,000	\$ 1,633,403	\$ 163,403
JEDD revenue.	30,000	30,000	48,610	18,610
Total revenues	<u>1,500,000</u>	<u>1,500,000</u>	<u>1,682,013</u>	<u>182,013</u>
Expenditures:				
Current:				
Security of persons and property	<u>1,520,000</u>	<u>1,628,000</u>	<u>1,627,854</u>	<u>146</u>
Total expenditures	<u>1,520,000</u>	<u>1,628,000</u>	<u>1,627,854</u>	<u>146</u>
Net change in fund balances	(20,000)	(128,000)	54,159	182,159
Fund balances at beginning of year	<u>388,970</u>	<u>388,970</u>	<u>388,970</u>	<u>-</u>
Fund balance at end of year	<u>\$ 368,970</u>	<u>\$ 260,970</u>	<u>\$ 443,129</u>	<u>\$ 182,159</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Solid Waste	Total	
Assets:					
Current assets:					
Equity in pooled cash and cash equivalents . . .	\$ 3,144,199	\$ 1,538,898	\$ 572,608	\$ 5,255,705	\$ 217,153
Receivables:					
Accounts	346,875	334,876	159,588	841,339	13,712
Special assessments	93	-	-	93	-
Due from other governments	345	-	-	345	-
Materials and supplies inventory	92,367	-	-	92,367	-
Total current assets	<u>3,583,879</u>	<u>1,873,774</u>	<u>732,196</u>	<u>6,189,849</u>	<u>230,865</u>
Noncurrent assets:					
Net pension asset	178	75	-	253	-
Capital assets:					
Land and construction in progress	679,401	-	-	679,401	-
Depreciable capital assets, net	9,199,088	7,955,779	119,111	17,273,978	-
Total capital assets, net	<u>9,878,489</u>	<u>7,955,779</u>	<u>119,111</u>	<u>17,953,379</u>	<u>-</u>
Total noncurrent assets	<u>9,878,667</u>	<u>7,955,854</u>	<u>119,111</u>	<u>17,953,632</u>	<u>-</u>
Total assets	<u>13,462,546</u>	<u>9,829,628</u>	<u>851,307</u>	<u>24,143,481</u>	<u>230,865</u>
Deferred outflows of resources:					
Pension	215,750	90,200	-	305,950	-
OPEB	42,859	18,129	-	60,988	-
Total deferred outflows of resources	<u>258,609</u>	<u>108,329</u>	<u>-</u>	<u>366,938</u>	<u>-</u>
Liabilities:					
Current liabilities:					
Accounts payable	197,523	213,264	67,054	477,841	-
Accrued wages and benefits payable	30,833	16,146	-	46,979	-
Compensated absences payable - current	37,510	2,825	-	40,335	-
Due to other governments	13,019	5,990	-	19,009	-
Accrued interest payable	37,045	-	-	37,045	-
Claims payable	-	-	-	-	58,585
OWDA loans payable	519,297	197,539	-	716,836	-
OPWC loans payable	24,485	4,593	-	29,078	-
Capital lease obligations payable	1,200	-	-	1,200	-
Bond anticipation notes payable	1,440,000	-	-	1,440,000	-
Total current liabilities	<u>2,300,912</u>	<u>440,357</u>	<u>67,054</u>	<u>2,808,323</u>	<u>58,585</u>
Long-term liabilities:					
Compensated absences payable	235,977	68,854	-	304,831	-
OWDA loans payable	3,852,439	5,419,309	-	9,271,748	-
OPWC loans payable	304,508	11,325	-	315,833	-
Capital lease obligations payable	5,320	-	-	5,320	-
Net pension liability	834,564	353,001	-	1,187,565	-
Net OPEB liability	560,426	237,047	-	797,473	-
Total long-term liabilities	<u>5,793,234</u>	<u>6,089,536</u>	<u>-</u>	<u>11,882,770</u>	<u>-</u>
Total liabilities	<u>8,094,146</u>	<u>6,529,893</u>	<u>67,054</u>	<u>14,691,093</u>	<u>58,585</u>
Deferred inflows of resources:					
Pension	217,626	109,610	-	327,236	-
OPEB	51,387	32,572	-	83,959	-
Total deferred inflows of resources	<u>269,013</u>	<u>142,182</u>	<u>-</u>	<u>411,195</u>	<u>-</u>
Net position:					
Net investment in capital assets	3,731,240	2,323,013	119,111	6,173,364	-
Unrestricted	1,626,756	942,869	665,142	3,234,767	172,280
Total net position	<u>\$ 5,357,996</u>	<u>\$ 3,265,882</u>	<u>\$ 784,253</u>	<u>9,408,131</u>	<u>\$ 172,280</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds				84,674	
Net position of business-type activities				<u>\$ 9,492,805</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Solid Waste	Total	
Operating revenues:					
Charges for services	\$ 3,160,695	\$ 2,096,206	\$ 835,107	\$ 6,092,008	\$ 1,707,170
Special assessments	87	-	-	87	-
Other	57,820	15,018	-	72,838	-
Total operating revenues.	<u>3,218,602</u>	<u>2,111,224</u>	<u>835,107</u>	<u>6,164,933</u>	<u>1,707,170</u>
Operating expenses:					
Personal services	1,075,285	772,074	8,381	1,855,740	-
Contract services.	198,186	204,956	727,607	1,130,749	229,008
Materials and supplies.	1,073,674	565,019	71,997	1,710,690	738
Claims	-	-	-	-	1,123,135
Other	1,000	-	-	1,000	-
Depreciation.	790,882	456,426	1,508	1,248,816	-
Total operating expenses.	<u>3,139,027</u>	<u>1,998,475</u>	<u>809,493</u>	<u>5,946,995</u>	<u>1,352,881</u>
Operating income	<u>79,575</u>	<u>112,749</u>	<u>25,614</u>	<u>217,938</u>	<u>354,289</u>
Nonoperating expenses:					
Interest and fiscal charges	(149,244)	(167,073)	-	(316,317)	-
Loss on sale of capital assets	-	(10,450)	-	(10,450)	-
Total nonoperating expenses	<u>(149,244)</u>	<u>(177,523)</u>	<u>-</u>	<u>(326,767)</u>	<u>-</u>
Income (loss) before transfers	<u>(69,669)</u>	<u>(64,774)</u>	<u>25,614</u>	<u>(108,829)</u>	<u>354,289</u>
Transfer in	25,000	-	-	25,000	-
Transfer out	-	(25,000)	-	(25,000)	-
Change in net position	(44,669)	(89,774)	25,614	(108,829)	354,289
Net position at beginning of year (restated)	<u>5,402,665</u>	<u>3,355,656</u>	<u>758,639</u>		<u>(182,009)</u>
Net position at end of year	<u>\$ 5,357,996</u>	<u>\$ 3,265,882</u>	<u>\$ 784,253</u>		<u>\$ 172,280</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.				94,435	
Change in net position of business-type activities.				<u>\$ (14,394)</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds				Governmental
	Water	Sewer	Solid Waste	Total	Activities - Internal Service Fund
Cash flows from operating activities:					
Cash received from customers	\$ 3,178,059	\$ 2,097,506	\$ 843,596	\$ 6,119,161	\$ -
Cash received from interfund services	-	-	-	-	1,693,458
Cash received from other operations	58,460	15,261	-	73,721	-
Cash payments for personal services	(909,379)	(793,748)	(8,381)	(1,711,508)	-
Cash payments for contract services	(170,466)	(200,035)	(727,820)	(1,098,321)	(229,008)
Cash payments for materials and supplies	(1,072,008)	(397,230)	(65,564)	(1,534,802)	(738)
Cash payments for claims	-	-	-	-	(1,246,794)
Cash payments for other expenses	(1,000)	-	-	(1,000)	-
Net cash provided by operating activities	<u>1,083,666</u>	<u>721,754</u>	<u>41,831</u>	<u>1,847,251</u>	<u>216,918</u>
Cash flows from noncapital financing activities:					
Cash received from transfers in	25,000	-	-	25,000	-
Cash used in transfers out	-	(25,000)	-	(25,000)	-
Net cash provided by (used in) noncapital financing activities	<u>25,000</u>	<u>(25,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Acquisition of capital assets	(477,660)	(564,381)	(120,619)	(1,162,660)	-
Proceeds of notes	1,440,000	-	-	1,440,000	-
Principal retirement on loans	(526,073)	(196,525)	-	(722,598)	-
Principal retirement on capital lease	(53)	-	-	(53)	-
Principal retirement on notes	(1,665,000)	-	-	(1,665,000)	-
Interest and fiscal charges	(167,517)	(167,073)	-	(334,590)	-
Net cash used in capital and related financing activities	<u>(1,396,303)</u>	<u>(927,979)</u>	<u>(120,619)</u>	<u>(2,444,901)</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(287,637)	(231,225)	(78,788)	(597,650)	216,918
Cash and cash equivalents at beginning of year	3,431,836	1,770,123	651,396	5,853,355	235
Cash and cash equivalents at end of year	<u>\$ 3,144,199</u>	<u>\$ 1,538,898</u>	<u>\$ 572,608</u>	<u>\$ 5,255,705</u>	<u>\$ 217,153</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income	\$ 79,575	\$ 112,749	\$ 25,614	\$ 217,938	\$ 354,289
Adjustments:					
Depreciation	790,882	456,426	1,508	1,248,816	-
Changes in assets, deferred outflows liabilities and deferred inflows:					
Accounts receivable	17,457	1,300	8,489	27,246	188,778
Special assessments	(93)	-	-	(93)	-
Intergovernmental receivable	553	243	-	796	-
Materials and supplies inventory	(18,648)	-	-	(18,648)	-
Net pension asset	(160)	(67)	-	(227)	-
Deferred outflows - pension	276,398	130,478	-	406,876	-
Deferred outflows - OPEB	(34,988)	(14,564)	-	(49,552)	-
Accounts payable	48,034	172,710	6,220	226,964	-
Accrued wages and benefits	17,722	(15,373)	-	2,349	-
Intergovernmental payable	4,060	1,788	-	5,848	-
Compensated absences payable	32,384	(43,300)	-	(10,916)	-
Net pension liability	(416,213)	(213,477)	-	(629,690)	-
Net OPEB liability	25,134	(5,387)	-	19,747	-
Deferred inflows - pension	210,182	105,656	-	315,838	-
Deferred inflows - OPEB	51,387	32,572	-	83,959	-
Claims payable	-	-	-	-	(326,149)
Net cash provided by operating activities	<u>\$ 1,083,666</u>	<u>\$ 721,754</u>	<u>\$ 41,831</u>	<u>\$ 1,847,251</u>	<u>\$ 216,918</u>

Non-cash transactions:
 During 2018, the water fund entered into a capital lease in the amount of \$6,573.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2018

	Private-Purpose Trust	Agency
	<u> </u>	<u> </u>
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 224,656	\$ 56,303
Cash in segregated accounts.	-	29,589
Receivables:		
Accounts	-	10,597
Accrued interest.	<u>1</u>	<u>-</u>
 Total assets	 <u>224,657</u>	 <u>\$ 96,489</u>
 Liabilities:		
Due to others	-	\$ 66,900
Undistributed monies	<u>-</u>	<u>29,589</u>
Total liabilities	<u>-</u>	<u>\$ 96,489</u>
 Net position:		
Held in trust	<u>224,657</u>	
 Total net position	 <u>\$ 224,657</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF COSHOCTON, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2018

	Private-Purpose Trust
	<u> </u>
Additions:	
Investment income.	\$ 318
Total additions	<u> 318</u>
 Deductions:	
Benefits.	<u> 682</u>
Total deductions.	<u> 682</u>
 Change in net position	(364)
 Net position at beginning of year.	<u> 225,021</u>
 Net position at end of year	<u><u> \$ 224,657</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 - DESCRIPTION OF THE CITY

The City of Coshocton (the "City"), established in 1811, is a statutory municipal corporation established and operated under the laws of the State of Ohio. The City is organized as a Mayor-council form of government. Eight council members are each elected for staggered two-year terms. The Mayor is elected for a four year term.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City's significant accounting policies are described below.

A. Reporting Entity

The City's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete.

The City provides various services including fire protection and prevention, water and sewer services, street maintenance and repairs, parks and recreation, refuse collection and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or, (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. Based upon the application of these criteria, the City has no component units. The basic financial statements of the reporting entity include only those of the City (the primary government).

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the City:

JOINTLY GOVERNED ORGANIZATIONS

Ohio Mid-Eastern Governments Association (OMEGA) - The City is associated with the Ohio Mid-Eastern Governments Association, which is a ten county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a twenty-one member Executive Board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The mayor of the City of Coshocton serves as the City's representative on the Board. The Board has total control over budgeting, personnel and financial matters. Each member currently pays a per capita membership fee based on the most recent United States census. During 2018, OMEGA received \$1,649 from the City of Coshocton for an annual fee. OMEGA has no outstanding debt. Information can be obtained from 326 Highland Avenue, P.O. Box 130, Cambridge, Ohio 43725.

Coshocton - Franklin Joint Economic Development District (District) - The City of Coshocton has entered into a contractual agreement effective November 24, 2004 with Franklin Township to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State of Ohio, Coshocton County, the City, the Township and the District. The District is administered by a three to five member Board of Directors consisting of one member representing the City, one member representing the Township and appointed by the Township Trustees, one member who is a business owner in the District representing the business owners in the District, one member who is a person employed within the District and one member selected by unanimous vote of all members appointed at the time. The City nor the Township have any fixed financial obligation set aside for administrative costs and expenses of the Board. The City is responsible for basic administrative costs of the Board. The Board of Directors has entered into an agreement to administer, collect and enforce the income tax on behalf of the District with the City of Coshocton and the City Income Tax Commissioner. Upon termination of the contractual agreement, any property, assets and obligations of the District shall be divided equally between the parties, except that any items of infrastructure constructed by or for anybody shall be retained by that party. No monies are paid directly by the City to the District. The City reported a \$6,050 receivable from the District at year end.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Coshocton - Tuscarawas Joint Economic Development District (District) - The City of Coshocton has entered into a contractual agreement effective November 23, 2004 with Tuscarawas Township to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State of Ohio, Coshocton County, the City, the Township and the District. The District is administered by a three to five member Board of Directors consisting of one member representing the City, one member representing the Township, one member who is a business owner in the District representing the business owners in the District, one member who is a person employed within the District, and one member selected by unanimous vote of all members appointed at the time. The City nor the Township have any fixed financial obligation set aside for administrative costs and expenses of the Board. The City is responsible for basic administrative costs of the Board. The Board of Directors has entered into an agreement to administer, collect and enforce the income tax on behalf of the District with the City of Coshocton and City Income Tax Commissioner. Upon termination of the contractual agreement, any property, assets and obligations of the District shall be divided equally between the parties, except that any items of infrastructure constructed by or for anybody shall be retained by that party. No monies are paid directly by the City to the District. The City reported a \$22,003 receivable from the District at year end.

Coshocton Port Authority (Port Authority) - The purpose of the Port Authority is to be involved in the activities that enhance, foster, aid, provide or promote transportation, economic development, education, governmental operations, culture, or research within the County. The Port Authority is governed by a five-member Board of Directors. Two members of the Board are appointed by the Mayor of the City and approved by Council of the City of Coshocton. Two members are appointed by the County Commissioner and the fifth appointment shall be approved by the four current members. The City paid \$56,545 to the Port Authority during 2018.

PUBLIC ENTITY RISK POOL

The City participates in the Ohio Plan Risk Management (OPRM), an insurance purchasing pool for commercial insurance, as established under Section 2744.08 of the Ohio Revised Code. The Board of Directors is responsible for collecting premiums, making payments to insurance agents, making payments to insurance companies, depositing appropriate amounts into OPRM accounts and reimbursing Board members for their expenses. The Board of Directors consists of seven members elected from the participants.

B. Basis of Presentation - Fund Accounting

The City's BFS consists of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

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. The activities of the internal service fund are 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.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. 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, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support 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 functions are self-financing or draw from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to sewer, water and refuse operations and operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets, deferred outflows, liabilities and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Fire fund - The fire fund accounts for income tax monies collected and used for general fire operations.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Street fund - The street fund accounts for all transactions relating to street maintenance and construction.

Safety, security and law enforcement fund - The safety, security and law enforcement fund accounts for income tax monies collected and used for county sheriff police protection and for security equipment in and around City properties.

Other governmental funds of the City are used to account for (a) financial resources that are restricted or committed to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

Proprietary Funds - Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Water fund - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Sewer fund - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Solid Waste fund - This fund accounts for the provision of solid waste disposal service to the residents and commercial users located within the City.

Internal service fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports the operations of employee health insurance.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's only trust fund is a private-purpose trust which accounts for the Bachert Trust. The City's agency funds account for monies held for other governments and undistributed assets. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has five agency funds that are used to account for state patrol, bid bonds, court activity and the collection and distribution of monies received for the joint economic development districts.

D. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of the City are included on the statement of net position.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, current deferred outflows, current liabilities and current deferred inflows generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide 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 financial statements for governmental funds.

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

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within thirty-one days of year end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 8). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. 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 specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, see Notes 15 and 16 for deferred outflows of resources related the City's net pension liability/asset and net OPEB liability, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the City, see Notes 15 and 16 for deferred inflows of resources related to the City's net pension liability/asset and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position and the statement of net position - proprietary funds.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

F. Budgetary Data

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 appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level within each department for all funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Tax Budget - During the first Council meeting in July, the Mayor presents the following year's annual operating budget to City Council 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.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or before December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will 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 encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines, and the Budget Commission agrees, that estimates need to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2018.

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the final appropriation amounts, including all amendments and modifications legally enacted by Council.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

G. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During 2018, investments were limited to non-negotiable certificates of deposit and U.S. Government money markets. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2018 amounted to \$77,190 which includes \$66,063 assigned from other City funds.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City has segregated bank accounts for monies held separate from the City’s central bank account for Municipal Court agency fund. These non-interest bearing depository accounts are presented in the financial statements as “cash in segregated accounts” since they are not required to be deposited into the City treasury.

For purposes of the statement of cash flows and for presentation on the statement of net position, all investments are considered to be cash equivalents.

An analysis of the City’s investment account at year end is provided in Note 4.

H. Inventories of Materials and Supplies

On government-wide financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used.

For all funds, cost is determined on a first-in, first-out basis. Consistent with prior years, the inventory in the governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditures in the governmental fund types. Inventories of the proprietary funds are expensed when used.

I. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. The City’s infrastructure consists of storm sewers, streets, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

All reported capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Land improvements	10 - 20 years	10 - 20 years
Buildings and improvements	10 - 50 years	10 - 50 years
Furniture and equipment	5 - 20 years	5 - 20 years
Vehicles	8 - 10 years	8 - 10 years
Infrastructure	20 years	10 - 20 years

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with GASB Statement No. 16, "*Accounting for Compensated Absences*", vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Loans and capital lease obligations are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables”. On fund financial statements, long-term interfund loans are classified as “due to/from other funds” on the financial statements and are equally offset by a non-spendable fund balance which indicates that they do not constitute available expendable resources. These 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. The internal balance reported on the financial statements relates to the consolidation of the internal service fund with governmental activities.

M. Fund Balance

Fund balance is divided into five classifications 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 classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable in the general fund.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

N. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

O. Net Position

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes consists primarily of municipal court special projects and community development block grant projects.

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

P. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2018.

Q. Pensions/Other Postemployment Benefits (OPEB)

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

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles/Restatement of Net Position

For fiscal year 2018, the City has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the City's postemployment benefit plan disclosures, as presented in Note 16 to the basic financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the City.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the City.

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities and business-type activities at January 1, 2018 have been restated as follows:

	Governmental Activities	Business-Type Activities	Water Fund	Sewer Fund
Net position as previously reported	\$ 8,113,832	\$ 10,273,489	\$ 5,930,086	\$ 3,594,525
Deferred outflows - payments subsequent to measurement date	29,255	11,436	7,871	3,565
Net OPEB liability	(4,107,354)	(777,726)	(535,292)	(242,434)
Restated net position at January 1, 2018	\$ 4,035,733	\$ 9,507,199	\$ 5,402,665	\$ 3,355,656

B. Deficit Fund Balances

Fund balances at December 31, 2018 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Lodging tax fund	\$ 1,983

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the City Council has identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit or by savings or deposit accounts including passbook accounts.

Interim monies are to be deposited or invested in the following securities:

1. 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 and interest by the United States;
2. 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 and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. 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;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance for a period not to exceed one-hundred-eighty days and commercial paper notes for a period not to exceed two-hundred-seventy days from the purchase date in an amount not to exceed ten percent of the aggregate value of the outstanding commercial paper of the issuing corporation; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Auditor or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At December 31, 2018, the City had \$507 of undeposited cash on hand which is included in "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At December 31, 2018, the carrying amount of all City deposits was \$2,747,240 and the bank balance of all City deposits was \$2,908,631. Of the bank balance, \$925,000 was covered by the FDIC, \$1,792,072 was covered by the Ohio Pooled Collateral System and \$191,559 of the bank balance was exposed to custodial credit risk.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the City's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Investments

As of December 31, 2018, the City had the following investments and maturities:

Measurement/ <u>Investment Type</u>	Measurement <u>Amount</u>	Investment <u>Maturity</u> 6 months or <u>less</u>
<i>Fair Value:</i>		
U.S. Government money market mutual funds	<u>\$ 9,736,365</u>	<u>\$ 9,736,365</u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The City's investments in U.S. Government money market mutual funds are valued using quoted market prices (Level 1 inputs).

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: The U.S. Government money market carries a rating of AAAm by Standard & Poor's. The City's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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 investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2018:

<u>Measurement/ Investment Type</u>	<u>Measurement Amount</u>	<u>% of Total</u>
Fair Value:		
U.S. Government money market mutual funds	\$ 9,736,365	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,747,240
Investments	9,736,365
Cash on hand	<u>507</u>
Total	<u>\$ 12,484,112</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 6,917,859
Business-type activities	5,255,705
Private-purpose trust fund	224,656
Agency funds	<u>85,892</u>
Total	<u>\$ 12,484,112</u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5 - INTERFUND ACTIVITY

- A. Due from/to other funds consisted of the following at December 31, 2018, as reported on the fund financial statements:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General	Nonmajor governmental	\$ 283

Amounts due from/to other funds between governmental funds are eliminated on the government-wide financial statements.

- B. Due from external parties at December 31, 2018, consisted of the following as reported on the fund statements:

	<u>Agency</u>
General fund	\$ 14,097
Fire fund	6,978
Safety, security and law enforcement	6,978
	<u>\$ 28,053</u>

- C. Interfund transfers for the year ended December 31, 2018, consisted of the following, as reported on the proprietary fund financial statements:

<u>Transfer from sewer fund to:</u>	
Water fund	\$ 25,000

The City reports the liability for the bond anticipation note under the water fund. However, the sewer fund pays a portion of it, as the liability related to water and sewer lines. This transfer is reported to account for the payment made from the sewer fund for the bond anticipation note and reduce its liability in the water fund. Transfers between enterprise funds are eliminated for reporting on the statement of activities.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. 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. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 6 - PROPERTY TAXES - (Continued)

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Coshocton. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2018 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2018 operations and the collection of delinquent taxes has been offset by a deferred inflow since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow.

The full tax rate for all City operations for the year ended December 31, 2018 was \$5.20 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2018 property tax receipts were based are as follows:

Real property tax	\$ 173,267,870
Public utility tangible personal property	<u>10,157,440</u>
Total assessed value	<u><u>\$ 183,425,310</u></u>

NOTE 7 - RECEIVABLES

Receivables at December 31, 2018, consisted of taxes, accounts (billings for user charged services), accrued interest, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2018.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Income taxes	\$ 1,070,292
Real and other local taxes	950,124
Accounts	102,328
Accrued interest	414
Special assessments	1,733
Due from other governments	508,141

Business-type activities:

Accounts	841,339
Special assessments	93
Due from other governments	345

Receivables have been disaggregated on the face of the BFS. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment. The amount of delinquent special assessments at December 31, 2018 was \$1,826.

CITY OF COSHOCTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 8 - MUNICIPAL INCOME TAXES

The City levies a municipal income tax of two percent on all net profits and all salaries, wages commissions and other compensation earned within the City as well as on incomes of residents earned outside of the City. In the latter case, the City allows a credit of 50 percent of the tax paid to another municipality to a maximum of the total amount assessed.

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

Income tax revenues are received by the general fund, fire fund, street fund, safety, security and law enforcement fund and the following nonmajor governmental funds: fire capital projects fund, capital improvement fund, street debt fund and the retirement payouts fund.

NOTE 9 - LODGING TAX

On April 10, 2006, City Council passed a 3% lodging tax. This allows the City to tax all transactions by which lodging in a hotel, motel, rooming house and other lodging accommodations are furnished to transit guests. As of April 2018, 95% of the revenues from this tax are restricted to the Coshocton County Convention and Visitors Bureau while the remaining 5% of collections remains in the general fund.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - CAPITAL ASSETS

A. Governmental activities capital asset activity for the year ended December 31, 2018, was as follows:

<u>Governmental activities:</u>	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/18</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,059,518	\$ 61,902	\$ -	\$ 1,121,420
Total capital assets, not being depreciated	<u>1,059,518</u>	<u>61,902</u>	<u>-</u>	<u>1,121,420</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	112,738	11,729	-	124,467
Buildings and improvements	3,211,979	25,135	-	3,237,114
Furniture and equipment	1,543,013	102,535	(21,918)	1,623,630
Vehicles	3,177,718	78,285	(9,197)	3,246,806
Infrastructure	<u>11,915,805</u>	<u>11,475</u>	<u>-</u>	<u>11,927,280</u>
Total capital assets, being depreciated	<u>19,961,253</u>	<u>229,159</u>	<u>(31,115)</u>	<u>20,159,297</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(54,672)	(6,596)	-	(61,268)
Buildings and improvements	(2,029,771)	(83,047)	-	(2,112,818)
Furniture and equipment	(1,033,092)	(73,958)	19,275	(1,087,775)
Vehicles	(2,541,835)	(225,545)	9,197	(2,758,183)
Infrastructure	<u>(7,875,338)</u>	<u>(369,376)</u>	<u>-</u>	<u>(8,244,714)</u>
Total accumulated depreciation	<u>(13,534,708)</u>	<u>(758,522)</u>	<u>28,472</u>	<u>(14,264,758)</u>
Total capital assets, being depreciated, net	<u>6,426,545</u>	<u>(529,363)</u>	<u>(2,643)</u>	<u>5,894,539</u>
Governmental activities capital assets, net	<u>\$ 7,486,063</u>	<u>\$ (467,461)</u>	<u>\$ (2,643)</u>	<u>\$ 7,015,959</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental activities:</u>	
General government	\$ 32,636
Security of persons and property	210,045
Public health and welfare	12,009
Transportation	420,296
Leisure time activity	<u>83,536</u>
Total depreciation expense	<u><u>\$ 758,522</u></u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 10 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2018, was as follows:

<u>Business-type activities:</u>	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/18</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 591,950	\$ 87,451	\$ -	\$ 679,401
Total capital assets, not being depreciated	<u>591,950</u>	<u>87,451</u>	<u>-</u>	<u>679,401</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	63,177	18,387	-	81,564
Buildings and improvements	10,290,847	220,619	-	10,511,466
Furniture and equipment	9,572,430	727,513	(37,835)	10,262,108
Vehicles	1,000,075	72,694	(19,700)	1,053,069
Infrastructure	<u>22,606,118</u>	<u>42,569</u>	<u>-</u>	<u>22,648,687</u>
Total capital assets, being depreciated	<u>43,532,647</u>	<u>1,081,782</u>	<u>(57,535)</u>	<u>44,556,894</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(59,916)	(2,244)	-	(62,160)
Buildings and improvements	(5,406,716)	(204,283)	-	(5,610,999)
Furniture and equipment	(5,318,343)	(340,471)	27,385	(5,631,429)
Vehicles	(639,741)	(71,987)	19,700	(692,028)
Infrastructure	<u>(14,656,469)</u>	<u>(629,831)</u>	<u>-</u>	<u>(15,286,300)</u>
Total accumulated depreciation	<u>(26,081,185)</u>	<u>(1,248,816)</u>	<u>47,085</u>	<u>(27,282,916)</u>
Total capital assets, being depreciated, net	<u>17,451,462</u>	<u>(167,034)</u>	<u>(10,450)</u>	<u>17,273,978</u>
Business-type activities capital assets, net	<u>\$ 18,043,412</u>	<u>\$ (79,583)</u>	<u>\$ (10,450)</u>	<u>\$ 17,953,379</u>

Depreciation expense was charged to the enterprise funds as follows:

<u>Business-type activities:</u>	
Water	\$ 790,882
Sewer	456,426
Solid Waste	<u>1,508</u>
Total depreciation expense	<u>\$ 1,248,816</u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 - OTHER EMPLOYEE BENEFITS - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned, unused vacation time is paid upon termination of employment. Employees earn sick leave at different rates depending upon type of employment. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid a maximum of 960 hours, 720 hours or 480 hours of accumulated, unused sick leave depending on the policy or union agreement the employee is under. As of December 31, 2018, the liability for unpaid compensated absences was \$1,132,053 for the entire City, which is reported as a fund liability and/or on the government-wide financial statements as applicable.

NOTE 12 - CAPITAL LEASE - LESSEE DISCLOSURE

During the current year and during a prior year, the City entered into a capital lease agreements for a copiers. At inception, capital lease transactions are accounted for as capital outlay expenditure and other financing source in the appropriate fund.

Capital assets consisting of furniture and equipment have been capitalized in the amount of \$25,998. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2018 was \$4,271, leaving a current book value of \$21,727. A corresponding liability was recorded in the government-wide and business-type financial statements. Principal and interest payments in 2018 totaled \$3,852 paid by the general fund and water fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2018.

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2019	\$ 4,469	\$ 1,499
2020	4,469	1,498
2021	4,468	1,499
2022	3,545	1,499
2023	<u>873</u>	<u>1,373</u>
Total future minimum lease payments	17,824	7,368
Less: amount representing interest	<u>(2,000)</u>	<u>(848)</u>
Present value of net minimum lease payments	<u>\$ 15,824</u>	<u>\$ 6,520</u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 - LONG-TERM OBLIGATIONS

A. Governmental Activities

During 2018, the following changes occurred in long-term obligations for governmental activities. The long-term obligations at December 31, 2017 have been restated as described in Note 3.

<u>Governmental activities:</u>	Restated Balance 12/31/17	<u>Additions</u>	<u>Reductions</u>	Balance 12/31/18	Amounts Due in One Year
ODOT loan payable	\$ 171,252	\$ -	\$ (19,243)	\$ 152,009	\$ 19,825
OPWC loan - CN19M - 0%	73,295	-	(24,432)	48,863	24,432
OPWC loan - CN18R - 0%	324,999	-	(13,542)	311,457	27,083
Capital lease	10,029	11,064	(5,269)	15,824	3,647
Net pension liability	7,143,191	-	(1,521,071)	5,622,120	-
Net OPEB liability	4,107,354	430,199	-	4,537,553	-
Compensated absences	704,413	201,160	(118,686)	786,887	123,373
 Total governmental activities long-term obligations	 <u>\$ 12,534,533</u>	 <u>\$ 642,423</u>	 <u>\$ (1,702,243)</u>	 <u>\$ 11,474,713</u>	 <u>\$ 198,360</u>

Loan payable

During 2013, the City entered into a State Infrastructure Bank Loan (the “Loan”) in the amount of \$202,000 with the State of Ohio, Ohio Department of Transportation (“ODOT”) to help finance the Chestnut Street Repaving Project. Under the terms of the loan agreement, no interest is assessed on the Loan from the date of closing through the last day of the 12th month. From the first day of the 13th month after closing through final maturity, the interest rate will be 3%. From month 13 through 24, interest due on the loan will accrue and be added to the principal of the loan. The accrued interest amount for this period is estimated to be \$6,060 and was added to the loan balance on July 1, 2015. The amortization schedule presented on the next page reflects repayment of the amount actually borrowed (\$202,000) plus the interest accrued from month 13 through 24 as stated above (\$6,060). During 2018, principal and interest payments were made from the major street fund.

OPWC loan

Improvements to the City’s South Second Street were financed by an Ohio Public Works Commission (OPWC) loan. This loan has a 0% interest rate and matures July 1, 2020. The loan is payable in semi-annual installments. During the 2018, principal payments were made from the street debt fund (a nonmajor governmental fund).

During 2015, the City obtained an OPWC loan in order to finance the local share of a project conducted by Ohio Department of Transportation (ODOT). The loan has a 0% interest rate. During 2018, principal payments were made from the street debt fund (a nonmajor governmental fund).

Capital lease

See Note 12 for more information on the City’s capital lease obligations.

Net pension liability and net OPEB liability

See Notes 15 and 16 for more information on net pension liability and net OPEB liability. The City pays obligations related to employee compensation from the fund benefitting from their service with for the City, is primarily the general fund.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

Compensated absences

Compensated absences are reported in the statement of net position and will be paid from the fund from which the employee's salaries are paid which will primarily be the general fund, the street fund, and the home health fund (a nonmajor governmental fund).

At December 31, 2018, the City's future annual principal payments were as follows.

Year Ending December 31,	OPWC			State Infrastructure Bank Loan Payable		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 51,515	\$ -	\$ 51,515	\$ 19,825	\$ 4,413	\$ 24,238
2020	51,515	-	51,515	20,424	3,813	24,237
2021	27,083	-	27,083	21,041	3,196	24,237
2022	27,083	-	27,083	21,677	2,560	24,237
2023	27,083	-	27,083	22,332	1,905	24,237
2024-2028	135,416	-	135,416	46,710	1,765	48,475
2029-2031	40,625	-	40,625	-	-	-
Total	<u>\$ 360,320</u>	<u>\$ -</u>	<u>\$ 360,320</u>	<u>\$ 152,009</u>	<u>\$ 17,652</u>	<u>\$ 169,661</u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-Type Activities

During 2018, the following changes occurred in long-term obligations for business-type activities. The long-term obligations at December 31, 2017 have been restated as described in Note 3.

<u>Business-type activities:</u>	Restated Balance 12/31/17	<u>Additions</u>	<u>Reductions</u>	Balance 12/31/18	Amounts Due in One Year
<u>OWDA loans</u>					
OWDA loan - 3.5%	\$ 4,873,324	\$ -	\$ (501,588)	\$ 4,371,736	\$ 519,297
OWDA loan - 3.0%	5,808,780	-	(191,932)	5,616,848	197,539
Total OWDA loans	<u>10,682,104</u>	<u>-</u>	<u>(693,520)</u>	<u>9,988,584</u>	<u>716,836</u>
<u>OPWC loans</u>					
OPWC loan - 0%, CN090	168,750	-	(11,250)	157,500	11,250
OPWC loan - 0%, CN12F	5,573	-	(858)	4,715	858
OPWC loan - 0%, CN06B	14,938	-	(3,735)	11,203	3,735
OPWC loan - 0%, CN10K	27,513	-	(2,392)	25,121	2,392
OPWC loan - 0%, CN23N	16,928	-	(1,168)	15,760	1,168
OPWC loan - 0%, CN15N	140,287	-	(9,675)	130,612	9,675
Total OPWC loans	<u>373,989</u>	<u>-</u>	<u>(29,078)</u>	<u>344,911</u>	<u>29,078</u>
Bond anticipation notes	1,665,000	1,440,000	(1,665,000)	1,440,000	1,440,000
Capital lease	-	6,573	(53)	6,520	1,200
Net pension liability	1,817,255	-	(629,690)	1,187,565	-
Net OPEB liability	777,726	19,747	-	797,473	-
Compensated absences	356,082	49,082	(59,998)	345,166	40,335
Total business-type activities					
long-term obligations	<u>\$ 15,672,156</u>	<u>\$ 1,515,402</u>	<u>\$ (3,077,339)</u>	<u>\$ 14,110,219</u>	<u>\$ 2,227,449</u>

OWDA loans

In 2004, the City entered into a debt financing arrangement through the OWDA to fund water treatment plant improvements. The amounts due to the OWDA are payable solely from water fund revenues. The loan agreement functions similar to a line-of-credit agreement. At December 31, 2018, the City has outstanding borrowings of \$4,371,736. The City has pledged future water fund revenues, net of certain operating expenses, to repay this loan. The loan is payable solely from water fund net revenues and are payable through 2026. Annual principal and interest payments on the loan are expected to require 73.99 percent of water fund net revenues. The total estimated principal and interest remaining to be paid on the loan is \$5,008,528. Principal and interest paid for the current year was \$644,058 and total net revenues were \$870,457.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

In 2006, the City entered into a debt financing arrangement through the OWDA to fund ethanol plant improvements. The amounts due to the OWDA are payable solely from sewer fund revenues. The loan agreement functions similar to a line-of-credit agreement. At December 31, 2018, the City has outstanding borrowings of \$5,616,848. The City has pledged future sewer fund revenues, net of certain operating expenses, to repay this loan. The loan is payable solely from sewer fund net revenues and are payable through 2040. Annual principal and interest payments on the loan are expected to require 63.09 percent of sewer fund net revenues. The total estimated principal and interest remaining to be paid on the loan is \$7,539,112. Principal and interest paid for the current year was \$359,005 and total net revenues were \$1,017,280.

OPWC loans

In 2012, the City entered into a debt financing arrangement through OPWC to fund waterline replacements. The amounts due to the OPWC are payable solely from water fund revenues. The loan is interest free. At December 31, 2018, the City has outstanding borrowings of \$157,500. Principal payments for 2018 amounted to \$11,250.

In 2015, the City entered into a transfer agreement with Coshocton County to acquire water and sewer lines as well as the related debt. The total balance of OPWC loans assumed from the County was \$240,895. The amounts due to OPWC are payable from water and sewer revenues. The loans are interest free. At December 31, 2018, the City has outstanding borrowings of \$187,411. Principal payments for 2018 amounted to \$17,828.

Bond anticipation notes

On February 21, 2018, the City issued \$1,440,000 in bond anticipation notes bearing a 3.0% interest rate. This note matured on February 21, 2019. Payments of principal and interest were paid from the City's water fund.

Compensated absences

Compensated absences are reported in the statement of net position and will be paid from the fund from which the employee's salaries are paid which will primarily be the sewer fund and water fund.

Principal and interest requirements to retire the City's OPWC and OWDA loans outstanding at December 31, 2018 are as follows.

Year Ending December 31,	OWDA			OPWC		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 716,836	\$ 309,973	\$ 1,026,809	\$ 29,078	\$ -	\$ 29,078
2020	740,941	285,868	1,026,809	29,078	-	29,078
2021	765,860	260,948	1,026,808	29,076	-	29,076
2022	791,625	235,184	1,026,809	25,343	-	25,343
2023	818,261	208,547	1,026,808	25,343	-	25,343
2024 - 2028	2,794,553	669,983	3,464,536	122,850	-	122,850
2029 - 2033	1,396,469	398,558	1,795,027	84,143	-	84,143
2034 - 2038	1,612,693	182,334	1,795,027	-	-	-
2039 - 2040	351,346	7,661	359,007	-	-	-
Total	<u>\$ 9,988,584</u>	<u>\$ 2,559,056</u>	<u>\$ 12,547,640</u>	<u>\$ 344,911</u>	<u>\$ -</u>	<u>\$ 344,911</u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

C. Legal Debt Margin

As of December 31, 2018, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was \$19,259,658.

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2018, the City contracted for various types of insurance as follows:

<u>Company</u>	<u>Type</u>	<u>Coverage</u>
Rinehart, Walters, Danner & Associates	Public Officials Liability (each wrongful act)	\$ 5,000,000
	General Liability (per occurrence)	7,000,000
	Comprehensive Crime	10,000
	Special Property	1,875,376
	Electronic Equipment	173,084
	Employers Liability (Ohio Stop Gap)	5,000,000
	Employee Benefits (each incident)	5,000,000
	Property	68,415,666
	Automobile	5,000,000

Settled claims have not exceeded this coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

The City, together with other government entities, participates in the Ohio Plan Risk Management, an insurance purchasing pool, for commercial insurance coverage. The City pays an annual premium to the Plan for its general insurance coverage. The agreement for the formation of the Plan provides that the Plan will be self-sustaining through member premiums and will insure through commercial companies to pay claims. The Plan is intended to achieve lower insurance rates for the participants. Under this Plan, the Ohio Government Risk Management's Board of Directors contracts with Hylant Administrative Services, Inc. to act as the agent and coordinate the pool. Hylant Administrative Services, Inc. then contracts with various insurance companies to cover losses.

The City participates in the Ohio Municipal League Group Rating Plan (OML) for workers' compensation. The intent of the OML is to achieve the benefit of a reduced premium for the participants, foster safer working environments and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the OML. The workers' compensation experience of the participating cities is calculated as one experience and a common premium rate is applied to all cities in the OML. Each participant pays its workers' compensation premium to the State based on the rate for the OML rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the OML. A participant will then either receive money from or be required to contribute to the "equity pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the OML. Participation in the OML is limited to cities that can meet the OML's selection criteria. The firm of Gates McDonald & Company provides administrative, cost control and actuarial services to the OML.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - RISK MANAGEMENT - (Continued)

The City manages the hospital/medical, dental and life insurance benefits for its employees on a self-insured basis through an internal service fund. A third party administrator, Aultra Administrative Services, processes and pays the claims. An excess coverage insurance (stop loss) policy covers claims in excess of \$100,000 per employee, per year.

The City’s policy for reporting a claims liability is based on the requirements GASB Statement No. 10, “*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*”, as amended by GASB Statement No. 30, “*Risk Financing Omnibus*”, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred, but not reported claims, be accrued at the estimated ultimate cost of settling the claims. As of December 31, 2018, there were \$58,585 in outstanding claims pending that are reported in the internal service fund.

<u>Year Ended</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2018	\$ 182,244	\$ 1,123,135	\$ (1,246,794)	\$ 58,585
2017	168,151	1,344,093	(1,330,000)	182,244

NOTE 15 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

The net pension liability/asset reported on the statement of net position represents a liability or asset 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/asset 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/asset 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.

The 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 any net pension liability/asset 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.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 due to other governments 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 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.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional Pension 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 Pension 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

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.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan members who have met the retirement eligibility requirements may apply for retirement benefits. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension*	14.0 %
Post-employment Health Care Benefits*	0.0 %
Total Employer	14.0 %
Employee	10.0 %

* These pension and employer health care rates are for the traditional plan. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan and Member-Directed Plan was \$502,429 for 2018. Of this amount, \$54,647 is reported as due to other governments.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Plan Description - City full-time firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F 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. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F 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 after 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 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% 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 OP&F 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.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	Firefighters
2018 Statutory Maximum Contribution Rates	
Employer	24.00 %
Employee	12.25 %
2018 Actual Contribution Rates	
Employer:	
Pension	23.50 %
Post-employment Health Care Benefits	0.50 %
Total Employer	24.00 %
Employee	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$239,329 for 2018. Of this amount, \$24,703 is reported as due to other governments.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Member-Directed Plan, respectively, were measured as of December 31, 2017, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability or asset 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:

	OPERS - Traditional	OPERS - Member- Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.02507100%	0.02015400%	0.05158400%	
Proportion of the net pension liability/asset current measurement date	0.02410000%	0.02305600%	0.04935100%	
Change in proportionate share	-0.00097100%	0.00290200%	-0.00223300%	
Proportionate share of the net pension liability	\$ 3,780,822	\$ -	\$ 3,028,863	\$ 6,809,685
Proportionate share of the net pension asset	-	(805)	-	(805)
Pension expense	797,372	11,447	331,063	1,139,882

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS - Traditional</u>	<u>OPERS - Member- Directed</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources				
Differences between expected and actual experience	\$ 3,861	\$ 1,566	\$ 45,967	\$ 51,394
Changes of assumptions	451,833	95	131,985	583,913
Changes in employer's proportionate percentage/difference between employer contributions	12,451	-	45,151	57,602
City contributions subsequent to the measurement date	484,107	18,322	239,329	741,758
Total deferred outflows of resources	<u>\$ 952,252</u>	<u>\$ 19,983</u>	<u>\$ 462,432</u>	<u>\$ 1,434,667</u>
	<u>OPERS - Traditional</u>	<u>OPERS - Member- Directed</u>	<u>OP&F</u>	<u>Total</u>
Deferred inflows of resources				
Differences between expected and actual experience	\$ 74,506	\$ -	\$ 5,478	\$ 79,984
Net difference between projected and actual earnings on pension plan investments	811,695	228	104,777	916,700
Changes in employer's proportionate percentage/difference between employer contributions	112,155	-	184,636	296,791
Total deferred inflows of resources	<u>\$ 998,356</u>	<u>\$ 228</u>	<u>\$ 294,891</u>	<u>\$ 1,293,475</u>

\$741,758 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/asset in the year ending December 31, 2019.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS - Traditional	OPERS - Member- Directed	OP&F	Total
2019	\$ 293,087	\$ 178	\$ 40,014	\$ 333,279
2020	(132,336)	174	12,469	(119,693)
2021	(357,426)	144	(89,837)	(447,119)
2022	(333,536)	148	(52,201)	(385,589)
2023	-	218	14,541	14,759
Thereafter	-	571	3,226	3,797
Total	\$ (530,211)	\$ 1,433	\$ (71,788)	\$ (600,566)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (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/asset was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Wage inflation	3.25%
Future salary increases, including inflation	3.25% to 10.75% including wage inflation
COLA or ad hoc COLA	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS 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 2017 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 %	2.20 %
Domestic equities	19.00	6.37
Real estate	10.00	5.26
Private equity	10.00	8.97
International equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan and Member-Directed Plan. 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 contractually required rates, as actuarially determined. 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 for the Traditional Pension Plan and Member-Directed Plan 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/Asset to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.50%, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 6,713,778	\$ 3,780,822	\$ 1,335,622
Member-Directed Plan	(461)	(805)	(1,153)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F'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, 2017, are presented below. The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the investment rate of return from 8.25% to 8.00%, (b) projected salary increases decreased from 4.25% - 11.00% to 3.75% - 10.50%, (c) payroll increases decreased from 3.75% to 3.25%, (d) inflation assumptions decreased from 3.25% to 2.75% and (e) Cost of Living Adjustments (COLAs) decreased from 2.60% to 2.20%.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Valuation date	1/1/17 with actuarial liabilities rolled forward to 12/31/17	
Actuarial cost method	Entry age normal	
Investment rate of return	8.00%	
Projected salary increases	3.75% - 10.50%	
Payroll increases	3.25%	
Inflation assumptions	2.75%	
Cost of living adjustments	2.20% and 3.00% for increases based on the lessor of the increase in CPI and 3.00% simple	

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

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

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

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

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OP&F's Board and were effective beginning with the January 1, 2017 actuarial valuation.

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 and Guidelines. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average 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.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017 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	- %		
Domestic Equity	16.00	4.22 %	5.39 %
Non-US Equity	16.00	4.41	5.59
Private Markets	8.00	6.67	8.08
Core Fixed Income *	23.00	1.57	2.71
High Yield Fixed Income	7.00	2.94	4.71
Private Credit	5.00	6.93	7.26
Global Inflation			
Protected Securities *	17.00	0.98	2.52
Master Limited Partnerships	8.00	7.50	7.93
Real Assets	8.00	6.88	7.24
Private Real Estate	12.00	5.58	6.34
Total	<u>120.00 %</u>		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 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 8.00%. A discount rate of 8.25% was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00%. 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/asset.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00%), or one percentage point higher (9.00%) 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	\$ 4,198,841	\$ 3,028,863	\$ 2,074,695

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution was \$7,329 for 2018. Of this amount, \$797 is reported as due to other governments.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment healthcare plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 75.

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contractually required contribution to OP&F was \$5,092 for 2018. Of this amount, \$526 is reported as due to other governments.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.02412300%	0.05158400%	
Proportion of the net OPEB liability current measurement date	<u>0.02338000%</u>	<u>0.04935100%</u>	
Change in proportionate share	<u>-0.00074300%</u>	<u>-0.00223300%</u>	
Proportionate share of the net OPEB liability	\$ 2,538,896	\$ 2,796,130	\$ 5,335,026
OPEB expense	\$ 191,944	\$ 274,720	\$ 466,664

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 1,977	\$ -	\$ 1,977
Changes of assumptions	184,859	272,845	457,704
City contributions subsequent to the measurement date	7,329	5,092	12,421
Total deferred outflows of resources	<u>\$ 194,165</u>	<u>\$ 277,937</u>	<u>\$ 472,102</u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 14,102	\$ 14,102
Net difference between projected and actual earnings on pension plan investments	189,130	18,406	207,536
Changes in employer's proportionate percentage/difference between employer contributions	51,433	162,637	214,070
Total deferred inflows of resources	<u>\$ 240,563</u>	<u>\$ 195,145</u>	<u>\$ 435,708</u>

\$12,421 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2019	\$ 17,453	\$ (2,953)	\$ 14,500
2020	17,453	(2,953)	14,500
2021	(41,352)	(2,952)	(44,304)
2022	(47,281)	19,138	(28,143)
2023	-	23,737	23,737
Thereafter	-	43,683	43,683
Total	<u>\$ (53,727)</u>	<u>\$ 77,700</u>	<u>\$ 23,973</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.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 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	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$ 3,373,033	\$ 2,538,896	\$ 1,864,087

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 2,429,182	\$ 2,538,896	\$ 2,652,227

Actuarial Assumptions – OP&F

OP&F’s total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income*	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.

*levered 2x

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

Discount Rate - The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$ 3,495,232	\$ 2,796,130	\$ 2,258,252

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate
Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
Year					
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 2,172,106	\$ 2,796,130	\$ 3,637,170

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's net OPEB liability is not known.

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund, fire fund, street fund and safety, security and law enforcement fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	<u>General fund</u>	<u>Fire fund</u>	<u>Street fund</u>	<u>Safety, Security & Law Enforcement</u>
Budget basis	\$ 76,976	\$ 197,478	\$ (62,113)	\$ 54,159
Net adjustment for revenue accruals	(107,707)	(6,237)	1,192	(6,925)
Net adjustment for expenditure accruals	(144,653)	53,506	52,000	-
Funds budgeted elsewhere	1,876	-	-	-
Adjustment for encumbrances	<u>14,013</u>	<u>1,450</u>	<u>10,171</u>	<u>17,200</u>
GAAP basis	<u>\$ (159,495)</u>	<u>\$ 246,197</u>	<u>\$ 1,250</u>	<u>\$ 64,434</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the unclaimed monies fund.

CITY OF COSHOCTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2018.

B. Litigation

The City is not a party to legal proceedings that would have a material effect on the financial condition of the City.

NOTE 19 - OTHER COMMITMENTS

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 City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	Year-End <u>Encumbrances</u>
General fund	\$ 5,513
Street fund	171
Nonmajor governmental funds	<u>130,175</u>
Total	<u>\$ 135,859</u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 20 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of 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 balance	General	Fire Fund	Street Fund	Safety, Security & Law Enforcement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:						
Materials and supplies inventory	\$ 1,758	\$ -	\$ 92,173	\$ -	\$ -	\$ 93,931
Perpetual care	-	-	-	-	250,000	250,000
Unclaimed monies	<u>3,111</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,111</u>
Total nonspendable	<u>4,869</u>	<u>-</u>	<u>92,173</u>	<u>-</u>	<u>250,000</u>	<u>347,042</u>
Restricted:						
Capital projects	-	-	-	-	1,567,609	1,567,609
Perpetual care	-	-	-	-	179,774	179,774
Transportation projects	-	-	259,347	-	142,568	401,915
Public safety programs	-	794,267	-	572,530	-	1,366,797
Public health and welfare programs	-	-	-	-	277,312	277,312
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>253,426</u>	<u>253,426</u>
Total restricted	<u>-</u>	<u>794,267</u>	<u>259,347</u>	<u>572,530</u>	<u>2,420,689</u>	<u>4,046,833</u>
Committed:						
Capital projects	-	-	-	-	284,935	284,935
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>256,035</u>	<u>256,035</u>
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>540,970</u>	<u>540,970</u>
Assigned:						
Other purposes	4,000	-	-	-	-	4,000
Public health and welfare programs	650	-	-	-	-	650
Community environment	400	-	-	-	-	400
Leisure time activity	463	-	-	-	-	463
Subsequent year appropriations	<u>529,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>529,183</u>
Total assigned	<u>534,696</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>534,696</u>
Unassigned	<u>775,773</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,983)</u>	<u>773,790</u>
Total fund balances	<u>\$ 1,315,338</u>	<u>\$ 794,267</u>	<u>\$ 351,520</u>	<u>\$ 572,530</u>	<u>\$ 3,209,676</u>	<u>\$ 6,243,331</u>

CITY OF COSHOCTON, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 21 - TAX ABATEMENTS

Enterprise Zone

Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investment. The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation.

The Enterprise Zone law permits municipalities to grant exemption of real property assessed values up to 75% and up to 10 years on new investments in building and improvements to existing land and buildings for a specific project. The exemptions may be increased up to 100% with approval of the affected Board of Education.

The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation.

The City of Coshocton had an Enterprise Zone Agreement with Kraft Foods Group, Inc. dated October 6, 2014. The agreement will provide a 75% real property exemption for a period of 10 years. The total value of real property subject to exemption for 2018 was \$6,432,820. The total value of taxes abated for 2018 for this parcel was \$33,166. Additionally, Ohio Revised Code § 5709.82(C)(2) provided for River View Local School District (District) to negotiate an agreement providing for compensation for all or a portion of the tax revenue the District would have received had the property not been exempt from taxation. The City paid the District an amount equal to .75% of new income subject to income tax. During 2018, the City compensated the District \$193,447, which included tax loss compensation for 2015, 2016 and 2017.

Income Tax Credits

The City, by Ordinance, may grant a refundable or nonrefundable credit against its tax on income to a taxpayer to foster job creation and/or for the purpose of fostering job retention in the City of Coshocton. For new job creation, if a credit is granted, it shall be measured as a percentage of the new income tax revenue the City derives from new employees of the taxpayer and shall be for a term not exceeding fifteen years. For job retention, if a credit is granted, it shall be measured as a percentage of the income tax revenue the City derives from the retained employees of the taxpayer and shall be for a term not exceeding fifteen years. Before the City passes an Ordinance granting a credit and/or allowing such a credit, the City and the taxpayer shall enter into an agreement specifying all the conditions of the credit.

The City of Coshocton had one Job Creation Grant Agreement with Kraft Foods Group, Inc. dated August 18, 2014. The grant is based upon the creation of new payroll and the retention of existing jobs. The grant will be awarded in an amount equal to .75% of new income subject to income tax and will last a period of 10 years. The total grant for 2018 was \$89,460.

NOTE 22 – SUBSEQUENT EVENTS

On February 6, 2019, the City issued a \$1,345,000 bond anticipation note to retire a portion of the \$1,440,000 bond anticipation note issued on February 21, 2018. This note bears an interest rate of 3.00% and matures on February 20, 2020.

On March 25, 2019, the City entered into an agreement with the Village of West Lafayette (the Village) where the Village transferred water system assets to the City. Under this agreement the City agreed to provide potable water to customers of both the City and the Village at greater cost efficiencies than serving the City alone.

CITY OF COSHOCTON, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 22 – SUBSEQUENT EVENTS - (Continued)

Effective May 31, 2019, the City Health Board made the decision to dissolve the City of Coshocton Home Health Agency.

On November 25, 2019, the City issued a \$400,000 fire truck anticipation bond, Series 2019, for the purpose of funding the purchase of a fire truck costing \$1,365,535. This bond bears an interest rate of 3.00%.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COSHOCTON, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST FIVE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>					
City's proportion of the net pension liability	0.024100%	0.025071%	0.024813%	0.023854%	0.023854%
City's proportionate share of the net pension liability	\$ 3,780,822	\$ 5,693,198	\$ 4,297,924	\$ 2,877,058	\$ 2,812,077
City's covered payroll	\$ 3,079,277	\$ 3,137,008	\$ 3,201,725	\$ 2,983,700	\$ 2,864,677
City's proportionate share of the net pension liability as a percentage of its covered payroll	122.78%	181.48%	134.24%	96.43%	98.16%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%	86.36%
<i>Member Directed Plan:</i>					
City's proportion of the net pension asset	0.023056%	0.020154%	0.020729%	n/a	n/a
City's proportionate share of the net pension asset	\$ 805	\$ 83	\$ 79	n/a	n/a
City's covered payroll	\$ 125,810	\$ 99,390	\$ 138,530	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.64%	0.08%	0.05%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	124.46%	103.40%	103.91%	n/a	n/a

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COSHOCTON, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST FIVE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.04935100%	0.05158400%	0.05026500%	0.05161490%	0.05161490%
City's proportionate share of the net pension liability	\$ 3,028,863	\$ 3,267,248	\$ 3,233,564	\$ 2,673,867	\$ 2,513,808
City's covered payroll	\$ 973,162	\$ 981,613	\$ 721,766	\$ 698,711	\$ 903,238
City's proportionate share of the net pension liability as a percentage of its covered payroll	311.24%	332.84%	448.01%	382.69%	278.31%
Plan fiduciary net position as a percentage of the total pension liability	70.91%	68.36%	66.77%	72.20%	73.00%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COSHOCTON, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 484,107	\$ 400,306	\$ 376,441	\$ 384,207
Contributions in relation to the contractually required contribution	<u>(484,107)</u>	<u>(400,306)</u>	<u>(376,441)</u>	<u>(384,207)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,457,907	\$ 3,079,277	\$ 3,137,008	\$ 3,201,725
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	n/a	n/a	n/a	n/a
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 18,322	\$ 12,581	\$ 9,939	\$ 13,853
Contributions in relation to the contractually required contribution	<u>(18,322)</u>	<u>(12,581)</u>	<u>(9,939)</u>	<u>(13,853)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 183,220	\$ 125,810	\$ 99,390	\$ 138,530
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	10.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 358,044	\$ 372,408	\$ 269,309	\$ 260,997	\$ 171,785	\$ 221,943
<u>(358,044)</u>	<u>(372,408)</u>	<u>(269,309)</u>	<u>(260,997)</u>	<u>(171,785)</u>	<u>(221,943)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,983,700	\$ 2,864,677	\$ 2,693,090	\$ 2,609,970	\$ 1,926,561	\$ 2,731,606
12.00%	13.00%	10.00%	10.00%	8.92%	8.13%
\$ -	\$ -	\$ 1,622	\$ 1,398	\$ 7,650	\$ -
<u>-</u>	<u>-</u>	<u>(1,622)</u>	<u>(1,398)</u>	<u>(7,650)</u>	<u>-</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ 20,403	\$ 17,585	\$ 78,975	\$ -
n/a	n/a	7.95%	7.95%	9.69%	n/a

CITY OF COSHOCTON, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Fire:</i>				
Contractually required contribution	\$ 239,329	\$ 228,693	\$ 230,679	\$ 169,615
Contributions in relation to the contractually required contribution	<u>(239,329)</u>	<u>(228,693)</u>	<u>(230,679)</u>	<u>(169,615)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,018,421	\$ 973,162	\$ 981,613	\$ 721,766
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 164,197	\$ 184,080	\$ 143,984	\$ 146,346	\$ 153,710	\$ 144,696
<u>(164,197)</u>	<u>(184,080)</u>	<u>(143,984)</u>	<u>(146,346)</u>	<u>(153,710)</u>	<u>(144,696)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 698,711	\$ 903,238	\$ 834,690	\$ 848,383	\$ 891,072	\$ 838,817
23.50%	20.38%	17.25%	17.25%	17.25%	17.25%

CITY OF COSHOCTON, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.023380%	0.024123%
City's proportionate share of the net OPEB liability	\$ 2,538,896	\$ 2,436,504
City's covered payroll	\$ 3,205,087	\$ 3,236,398
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	79.21%	75.28%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.05%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COSHOCTON, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TWO YEARS

	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.04935100%	0.05158400%
City's proportionate share of the net OPEB liability	\$ 2,796,130	\$ 2,448,576
City's covered payroll	\$ 973,162	\$ 981,613
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	287.32%	249.44%
Plan fiduciary net position as a percentage of the total OPEB liability	14.13%	15.96%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal year were determined as of the City's measurement date which is the prior year-end.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COSHOCTON, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 7,329	\$ 35,825	\$ 67,448	\$ 64,035
Contributions in relation to the contractually required contribution	<u>(7,329)</u>	<u>(35,825)</u>	<u>(67,448)</u>	<u>(64,035)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,641,127	\$ 3,205,087	\$ 3,236,398	\$ 3,340,255
Contributions as a percentage of covered payroll	0.20%	1.12%	2.08%	1.92%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 58,517	\$ 28,647	\$ 109,301	\$ 106,733	\$ 101,341	\$ 159,055
<u>(58,517)</u>	<u>(28,647)</u>	<u>(109,301)</u>	<u>(106,733)</u>	<u>(101,341)</u>	<u>(159,055)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,983,700	\$ 2,864,677	\$ 2,713,493	\$ 2,627,555	\$ 2,005,536	\$ 2,731,606
1.96%	1.00%	4.03%	4.06%	5.05%	5.82%

CITY OF COSHOCTON, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Fire:</i>				
Contractually required contribution	\$ 5,092	\$ 4,866	\$ 4,908	\$ 3,609
Contributions in relation to the contractually required contribution	<u>(5,092)</u>	<u>(4,866)</u>	<u>(4,908)</u>	<u>(3,609)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,018,421	\$ 973,162	\$ 981,613	\$ 721,766
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 4,456	\$ 32,586	\$ 56,341	\$ 57,266	\$ 60,148	\$ 56,620
<u>(4,456)</u>	<u>(32,586)</u>	<u>(56,341)</u>	<u>(57,266)</u>	<u>(60,148)</u>	<u>(56,620)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 698,711	\$ 903,238	\$ 834,690	\$ 848,383	\$ 891,072	\$ 838,817
0.64%	3.62%	6.75%	6.75%	6.75%	6.75%

CITY OF COSHOCTON, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following were the most significant changes of assumptions that affected the total pension since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.25% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%.

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

City of Coshocton
Coshocton County
760 Chestnut Street
Coshocton, Ohio 43812

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Coshocton, Coshocton County, Ohio (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 19, 2019, wherein we noted the City adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. However, as described in the accompanying Schedule of Findings, we identified certain deficiencies in internal control over financial reporting, that we consider a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or a combination of internal control deficiencies, resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. We consider Finding 2018-002 described in the accompanying Schedule of Findings to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of internal control deficiencies less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider Finding 2018-001 described in the accompanying Schedule of Findings to be a significant deficiency.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying Schedule of Findings as item 2018-001.

City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not subject the City's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

December 19, 2019

**CITY OF COSHOCTON
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018**

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

FINDING NUMBER 2018-001

Noncompliance and Significant Deficiency

Ohio Rev. Code § 1901.31(F) states “[t]he clerk of a municipal court shall receive, collect, and issue receipts for all costs, fees, fines, bail, and other moneys payable to the office or to any officer of the court. The clerk shall on or before the twentieth day of the month following the month in which they are collected disburse to the proper persons or officers, and take receipts for, all costs, fees, fines, bail, and other moneys that the clerk collects.”

During testing of the municipal court, we noted disbursements for the months of July 2018 in the amount of \$8,038 and November 2018 in the amount of \$6,411 due to the Ohio Treasurer of State were not paid by the Clerk of Courts. The Clerk of Courts prepared the monthly disbursement breakdown for these months, however, failed to make the actual payment to the Ohio Treasurer of State. The disbursement for the month of July in the amount of \$8,038 was also not recorded as a disbursement in the Court’s Quicken accounting system. The disbursement for the month of November in the amount of \$6,411 was recorded as a disbursement in the Court’s Quicken accounting system and included as a reconciling item at December 31, 2018.

We also noted the following disbursements were not made by the twentieth of the following month to the Ohio Treasurer of State:

Month	Amount	Date Paid
February 2018	\$8,441	3/27/2018
March 2018	10,448	12/28/2018
April 2018	10,035	5/22/2018
May 2018	9,752	6/22/2018
September 2018	5,850	10/24/2018
October 2018	5,611	11/21/2018

As a result, timely disbursements were not made to the Ohio Treasurer of State. We noted the July and November 2018 distributions were subsequently paid to the Ohio Treasurer of State in 2019.

We recommend the Clerk of Courts implement a process to ensure all monthly disbursements are remitted by the twentieth of the following month as required by the Revised Code.

Officials’ Response: Regarding failing to make the actual payment to the Ohio Treasurer of State: The Clerk assumed the funds transferred but had failed to print the confirmation page then was awaiting the funds to clear or a phone call from the Treasurer’s Office regarding not receiving the funds. The Clerk did not want to re-send the funds due to the concern that the electronic transfer might be processed twice.

Regarding the disbursements not being made by the twentieth of the following month: It was an error in thinking it was due by the end of the month. The Clerk will make sure that all filings are done in accordance with ORC and in a timely manner.

**CITY OF COSHOCTON
COSHOCTON COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018
(Continued)**

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

FINDING NUMBER 2018-002

Material Weakness

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

As a result of audit procedures performed, errors noted in the District's financial statements required audit adjustments as follows:

- Error in Capital Assets (net of accumulated depreciation) of (\$270,109) in the Business Type Activities and Sewer Fund as an asset was improperly added as an addition to capital assets; and
- Overstatement in Accounts Payable and Due to Other Governments in the General Fund in the amount of \$94,610 each due to a double posting for two tax rebates.

These adjustments were agreed to by management and were recorded on the City's financial statements.

As a result of audit procedures performed, the following insignificant adjustments and reclassifications were noted in the City's financial statements:

- Investment Income and Equity in Pooled Cash and Cash Equivalents were understated by \$15,549 in the General Fund due to untimely reporting of interest when earned;
- Miscellaneous Revenue and General Government Expense in the General Fund were overstated by \$106,365 relating to a reimbursement received relating to fiscal year 2018 expenses;
- Agency fund receivables related to the Joint Economic Development Districts (JEDDs) were understated by \$61,641;
- An error in the calculation of Income Tax Receivable in the Safety, Security and Law Enforcement Fund resulted in an overstatement of Deferred Inflows - Unavailable Income Tax Revenue, Income Tax Revenue and Income Tax Receivable of \$3,596, \$2,339 and \$5,935, respectively;
- Deferred Inflows of Resources - OPERS (Ohio Public Employees Retirement System) were overstated by \$66,272 in Governmental Activities;
- Accounts receivable in the Water Fund was understated by \$100,142;
- Various errors in reporting of original and final estimated revenue on the Budget vs. Actual Statements ranging from \$21 to \$75,112;
- Various errors in reporting of final appropriations on the General Fund Budget vs. Actual Statement ranging from \$6,029 to \$12,700;
- An error in reporting of fund balance resulted in an understatement of Assigned fund balance and overstatement of Unassigned fund balance in the General Fund of \$55,070.
- Errors in Capital Assets (net of accumulated depreciation) of (\$23,496) in the Governmental Activities, \$13,198 in Business Type Activities, \$179 in the Water Fund, \$12,598 in the Sewer Fund, and \$421 in the Solid Waste Fund;
- Various revenue misclassification errors ranging from \$22,283 to \$49,346; and
- Various asset adjustments were noted ranging from \$5,935 to \$19,429.

CITY OF COSHOCTON
COSHOCTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2018
(Continued)

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

FINDING NUMBER 2018-002 (Continued)

Material Weakness (Continued)

Failure to properly report financial activity in accordance with GAAP could result in material misstatements occurring and remaining undetected, and fail to provide management with an accurate picture of the City's financial position and operations.

We recommend the City take the necessary steps to ensure that all revenues, expenditures/expenses, assets, deferred outflows of resources, liabilities, deferred inflows of resources and equity of the City are properly presented and disclosed in the City's financial statements.

Officials' Response: Auditor Kirkpatrick will meet with the conversion team to discuss the adjustments made and take the necessary steps to alleviate such adjustments in the future.

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**OHIO AUDITOR OF STATE
KEITH FABER**



CITY OF COSHOCTON

COSHOCTON 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
DECEMBER 31, 2019**