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City of Martins Ferry
Belmont County, Ohio

Audited Financial Statements

For the Year Ended
December 31, 2018

CPAs and business consultants
www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER

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Members of Council
City of Martins Ferry
35 South 5th Street
Martins Ferry, Ohio 43935

We have reviewed the *Independent Auditor's Report* of the City of Martins Ferry, Belmont County, prepared by Rea & Associates, Inc., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

September 11, 2019

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July 30, 2019

To the Members of Council and Management
City of Martins Ferry
Belmont County, Ohio
35 South 5th Street
Martins Ferry, OH 43935

Independent Auditor's Report

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Martins Ferry, Belmont 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 fund, street maintenance and repair fund and fire and ambulance fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 2, the City restated the net position balance to account for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Schedule of the City's Proportionate Share of the Net Pension Liability, Schedule of the City's Contributions – Pension, Schedule of the City's Proportionate Share of the Net OPEB Liability, and Schedule of City Contributions - OPEB* as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 30, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Rea & Associates, Inc.

New Philadelphia, Ohio

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The discussion and analysis of the City of Martins Ferry'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 performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- In total, net position increased $242,169, which represents a 5 percent increase from 2017 restated balances. Net position of governmental activities increased $15,844. Net position of business-type activities increased $226,325.

- Total capital assets increased $509,568 in 2018. Capital assets of governmental activities increased $886,067 and capital assets of business-type activities decreased $376,499.

- Outstanding debt decreased from $9,334,431 to $9,018,484.

- The City implemented GASB 75, which reduced beginning net position as previously reported by $2,253,587 and $994,739 for governmental and business-type activities, respectively.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the City of Martins Ferry as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2018 and how they affected the operations of the City as a whole.

Reporting the City of Martins Ferry as a Whole

Statement of Net Position and Statement of Activities

The *Statement of Net Position* and *Statement of Activities* provide information about the activities of the whole City, 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. In the case of the City of Martins Ferry, the general fund is by far the most significant fund. Business-type funds consist of the water, sewer, and sanitation funds.

A question typically asked about the City's finances is "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* and *deferred outflows of resources* and *liabilities* and *deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes 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 which restrict revenue growth, facility conditions, 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 general government, security of persons and property, public health, community development, leisure time activities and transportation.

- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sanitation and sewer funds are reported as major business-type activities.

Reporting the City of Martins Ferry'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 safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund, the street maintenance and repair fund, the fire and ambulance fund, and the fire levy V fund.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

The City as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2018 compared to 2017:

Table 1
Net Position

	Governmental Activities			Business-Type Activities		
	2018	Restated 2017	Change	2018	Restated 2017	Change
Assets						
Current and Other Assets	$ 3,298,663	$ 3,492,232	$ (193,569)	$ 1,259,738	$ 833,495	$ 426,243
Capital Assets	4,678,503	3,792,436	886,067	14,947,587	15,324,086	(376,499)
Total Assets	7,977,166	7,284,668	692,498	16,207,325	16,157,581	49,744
Deferred Outflows of Resources						
Pension & OPEB	900,743	1,113,992	(213,249)	521,734	919,764	(398,030)
Total Deferred Outflows of Resources	900,743	1,113,992	(213,249)	521,734	919,764	(398,030)
Liabilities						
Current and Other Liabilities	148,839	100,103	48,736	111,224	94,677	16,547
Long-Term Liabilities:						
Due within One Year	232,511	173,689	58,822	1,037,618	940,511	97,107
Due in More Than One Year:						
Net Pension Liability	3,212,921	3,897,928	(685,007)	1,628,316	2,367,264	(738,948)
Net OPEB Liability	2,617,534	2,268,777	348,757	1,077,233	1,008,206	69,027
Other Amounts	1,386,010	1,144,228	241,782	7,052,637	7,557,145	(504,508)
Total Liabilities	7,597,815	7,584,725	13,090	10,907,028	11,967,803	(1,060,775)
Deferred Inflows of Resources						
Property Taxes	670,213	698,336	(28,123)	0	0	0
Other	0	0	0	0	0	0
Pension & OPEB	582,790	104,352	478,438	539,376	53,212	486,164
Total Deferred Inflows of Resources	1,253,003	802,688	450,315	539,376	53,212	486,164
Net Position						
Net Investment in Capital Assets	3,446,656	3,277,958	168,698	7,039,353	7,007,841	31,512
Restricted	1,000,782	1,172,350	(171,568)	0	0	0
Unrestricted	(4,420,347)	(4,439,061)	18,714	(1,756,698)	(1,951,511)	194,813
Total Net Position	$ 27,091	$ 11,247	$ 15,844	$ 5,282,655	$ 5,056,330	$ 226,325

The net pension liability (NPL) is 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.

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 $2,264,834 to $11,247 for governmental activities and from $6,051,069 to $5,056,330 for business-type activities.

At year end, capital assets represented 81 percent of total assets. Capital assets include land, buildings, building improvements, machinery and equipment, vehicles, infrastructure, and construction in progress. Capital assets, net of related debt were $10,486,009 at December 31, 2018, with $3,446,656 in governmental activities and $7,039,353 in business-type activities. 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, $1,000,782 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is a deficit balance of $6,177,045.

Equity in pooled cash and investments for governmental activities decreased primarily due to cash paid for the purchase of a new fire truck in 2018. Equity in pooled cash and investments for business-type funds increased primarily due to an increase in charges for services.

Capital assets increased in governmental activities due to the completion of the 8^{th} street slip project in addition to the purchase of street equipment and four leased vehicles.

For both governmental and business-type activities, the changes reflected in NPL, NOL and deferred outflows/inflows of resources relating to pension and OPEB are based on estimates at the plan level. For additional details on GASB 68 and 75, see aforementioned discussion.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2018 and 2017.

Table 2 shows the changes in net position for fiscal year 2018 and 2017.

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2018	2017	Change	2018	2017	Change
Revenues						
Program Revenues:						
Charges for Services	$ 1,009,187	$ 987,999	$ 21,188	$ 5,439,519	$ 4,897,784	$ 541,735
Operating Grants	523,248	391,704	131,544	3,500	0	3,500
Capital Grants	327,532	330,836	(3,304)	0	21,027	(21,027)
General Revenues:						
Property Taxes	735,215	735,948	(733)	0	0	0
Income Taxes	1,808,693	1,428,568	380,125	0	0	0
Grants and Entitlements	230,992	216,161	14,831	0	0	0
Gain on Sale of Capital Assets	86,000	0	86,000	0	0	0
Other Local Taxes	42,942	64,841	(21,899)	0	0	0
Oil and Gas Lease	0	712,073	(712,073)	0	0	0
Miscellaneous	183,422	167,405	16,017	53,311	42,209	11,102
Insurance Recoveries	0	0	0	4,716	0	4,716
Investment Earnings	23,351	8,667	14,684	0	0	0
Total Revenues	4,970,582	5,044,202	(73,620)	5,501,046	4,961,020	540,026
Program Expenses						
General Government	926,007	829,985	96,022	0	0	0
Security of Persons and Property	3,029,422	2,817,752	211,670	0	0	0
Public Health	72,543	83,273	(10,730)	0	0	0
Leisure Time Services	44,446	35,750	8,696	0	0	0
Community Development	15,048	1,104	13,944	0	0	0
Transportation	832,091	779,387	52,704	0	0	0
Interest and Fiscal Charges	35,181	26,784	8,397	0	0	0
Enterprise Operations:						
Water	0	0	0	3,707,753	3,593,572	114,181
Sanitation	0	0	0	1,000,952	907,427	93,525
Sewer	0	0	0	566,016	429,379	136,637
Total Program Expenses	4,954,738	4,574,035	380,703	5,274,721	4,930,378	344,343
Increase (Decrease) in Net Position	15,844	470,167	(454,323)	226,325	30,642	195,683
Transfers	0	(82,782)	82,782	0	82,782	(82,782)
Change in Net Position	15,844	387,385	(371,541)	226,325	113,424	112,901
Net Position Beginning of Year	11,247	2,264,834	(2,253,587)	5,056,330	6,051,069	(994,739)
Restatement - See Note 2	0	(2,640,972)	2,640,972	0	(1,108,163)	1,108,163
Net Position End of Year	$ 27,091	$ 11,247	$ 15,844	$ 5,282,655	$ 5,056,330	$ 226,325

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 $28,657 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 $290,761. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2018 Expenses under GASB 75	$ 4,954,738	$ 5,274,721
OPEB Expense under GASB 75	(203,060)	(87,701)
2018 Contractually Required Contributions	3,877	0
Adjusted 2018 Expenses	4,755,555	5,187,020
Total 2017 Expenses under GASB 45	4,574,035	4,930,378
Increase/(Decrease) in Expenses not Related to OPEB	$ 181,520	$ 256,642

The City's overall net position increased $242,169 from the prior year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities

The funding for the governmental activities comes from several different sources, the most significant being the municipal income tax and charges for services. Other prominent sources are property taxes, grants and entitlements and investment interest.

The City's income tax rate increased to 1.0 percent, effective June 1, 2014 from the prior tax rate of 0.75 percent. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 1.0 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

Governmental revenue is comprised of program revenue and general revenue. General revenues include grants and entitlements, such as local government funds. Governmental activities are primarily funded with the combination of property tax, income tax and intergovernmental revenues. The City monitors its sources of revenues very closely for fluctuations.

General revenues for oil and gas lease decreased as this was a one-time receipt for the lease of mineral rights on City-owned property.

Police and fire represent the largest expense of the governmental activities. The police department operates out of the general fund.

The City's street maintenance and repair department provides the City and its citizens many services that include public road salting, leaf and debris pickup, paint striping and alley profiling.

Business-Type Activities

Business-type activities include water, sanitation, and sewer. The revenues are generated primarily from charges for services. In 2018, charges for services counted for 99 percent of the business type revenues. The total revenues for utilities increased because of rate increases and more aggressive collections of delinquent accounts.

The City's Funds

Governmental Funds

The City's governmental funds are accounted for using the modified accrual method of accounting. 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 may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of the fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

The general fund is the chief operating fund of the City. The fund balance of the general fund decreased by $34,534 during the current fiscal year.

The street maintenance and repair fund had a $2,539 decrease in fund balance.

The fire and ambulance fund had a $50,300 increase in fund balance due to an increase in charges for services and other revenue coupled with a decrease in expenditures.

The fire levy V fund had a $502,372 decrease in fund balance due to the purchase of a new fire truck.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for the business-type activities, but in more detail.

Unrestricted net position of the water fund at the end of the year was a deficit of $963,206, the sewer fund was a deficit of $278,849, and the sanitation was a deficit of $514,643. Total change in net position for these funds was an increase of $375,963, a decrease of $48,265 and a decrease of $101,373, respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

General Fund Budgeting Highlights

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

During the course of 2018, the City amended its general fund budget. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

Original Budget Compared to Final Budget During the year there was no need for any significant amendments to budgeted appropriations. However, there was a need to make an amendment to increase estimated revenues for income tax collections that were higher than anticipated.

Final Budget Compared to Actual Results There were no significant differences between final estimated revenues and actual revenues.

A review of actual expenditures compared to the appropriations in the final budget revealed no significant variances. However, the City did see cost savings in both general government and security of persons and property expenditures.

There were no significant variances to discuss within other financing sources and uses.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2018 balances compared with 2017.

Table 3
Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 712,451	$ 712,451	$ 171,440	$ 171,440	$ 883,891	$ 883,891
Construction in Progress	0	64,574	0	35,800	0	100,374
Buildings	697,533	736,602	3,017,654	3,172,152	3,715,187	3,908,754
Building Improvements	139,101	148,716	680,823	772,013	819,924	920,729
Equipment and Machinery	279,245	235,176	2,417,275	2,697,025	2,696,520	2,932,201
Vehicles	1,007,339	507,527	946,739	502,794	1,954,078	1,010,321
Infrastructure	1,842,834	1,387,390	7,713,656	7,972,862	9,556,490	9,360,252
Total	$ 4,678,503	$ 3,792,436	$ 14,947,587	$ 15,324,086	$ 19,626,090	$ 19,116,522

See Note 8 for additional information about the capital assets of the City.

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Debt

Table 4 summarizes outstanding debt. See Note 15 for additional details.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	$ 335,117	$ 412,982	$ 80,000	$ 100,000	$ 415,117	$ 512,982
Notes Payable	13,335	28,903	0	0	13,335	28,903
Revolving Loan	0	4,100	0	0	0	4,100
Police and Fire Pension	137,920	143,613	0	0	137,920	143,613
ODOT Loan	291,040	0	0	0	291,040	0
Street Sweeper	69,145	81,714	46,096	54,476	115,241	136,190
USDA Loans	244,860	259,150	583,382	616,829	828,242	875,979
OPWC Loans	124,596	140,611	504,349	548,698	628,945	689,309
OWDA Loans	0	0	6,166,830	6,943,355	6,166,830	6,943,355
Vacall Loan	0	0	291,059	0	291,059	0
Packer Loan	0	0	130,755	0	130,755	0
Total	$ 1,216,013	$ 1,071,073	$ 7,802,471	$ 8,263,358	$ 9,018,484	$ 9,334,431

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Rita Randall, Auditor of Martins Ferry, Ohio, at 35 South 5th Street, Martins Ferry, Ohio 43935 or mfauditor@yahoo.com.

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City of Martins Ferry
Belmont County, Ohio
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	$ 843,086	$ 701,754	$ 1,544,840
Investment in Segregated Accounts	182,672	0	182,672
Accounts Receivable	200,476	569,025	769,501
Intergovernmental Receivable	319,955	0	319,955
Taxes Receivable	841,224	0	841,224
Income Taxes Receivable	819,069	0	819,069
Internal Balances	84,505	(84,505)	0
Materials and Supplies Inventory	7,676	61,464	69,140
Restricted Cash and Cash Equivalents	0	12,000	12,000
Non-Depreciable Capital Assets	712,451	171,440	883,891
Depreciable Capital Assets, Net	3,966,052	14,776,147	18,742,199
Total Assets	7,977,166	16,207,325	24,184,491
Deferred Outflows of Resources			
Pension	623,709	423,332	1,047,041
OPEB	277,034	98,402	375,436
Total Deferred Outflows of Resources	900,743	521,734	1,422,477
Liabilities			
Accounts Payable	71,423	26,663	98,086
Accrued Wages	45,947	34,534	80,481
Intergovernmental Payable	31,469	21,356	52,825
Accrued Interest Payable	0	16,671	16,671
Refundable Deposits	0	12,000	12,000
Long-Term Liabilities:			
Due Within One Year	232,511	1,037,618	1,270,129
Due In More Than One Year:			
Net Pension Liability	3,212,921	1,628,316	4,841,237
Net OPEB Liability	2,617,534	1,077,233	3,694,767
Other Amounts Due in More Than One Year	1,386,010	7,052,637	8,438,647
Total Liabilities	7,597,815	10,907,028	18,504,843
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	670,213	0	670,213
Pension	470,520	435,767	906,287
OPEB	112,270	103,609	215,879
Total Deferred Inflows of Resources	1,253,003	539,376	1,792,379
Net Position			
Net Investment in Capital Assets	3,446,656	7,039,353	10,486,009
Restricted for:			
Capital Projects	327,160	0	327,160
Other Purposes	673,622	0	673,622
Unrestricted	(4,420,347)	(1,756,698)	(6,177,045)
Total Net Position	$ 27,091	$ 5,282,655	$ 5,309,746

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Statement of Activities
For the Year Ended December 31, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	$ 926,007	$ 376,071	$ 12,125	$ 0	$ (537,811)	$ 0	$ (537,811)
Security of Persons and Property	3,029,422	591,271	64,120	0	(2,374,031)	0	(2,374,031)
Public Health	72,543	26,705	277	0	(45,561)	0	(45,561)
Leisure Time Services	44,446	0	0	0	(44,446)	0	(44,446)
Community Development	15,048	0	256	0	(14,792)	0	(14,792)
Transportation	832,091	15,140	446,470	327,532	(42,949)	0	(42,949)
Interest and Fiscal Charges	35,181	0	0	0	(35,181)	0	(35,181)
Total Governmental Activities	4,954,738	1,009,187	523,248	327,532	(3,094,771)	0	(3,094,771)
Business-Type Activities							
Water	3,707,753	4,041,305	0	0	0	333,552	333,552
Sanitation	1,000,952	885,657	3,500	0	0	(111,795)	(111,795)
Sewer	566,016	512,557	0	0	0	(53,459)	(53,459)
Total Business-Type Activities	5,274,721	5,439,519	3,500	0	0	168,298	168,298
Total	$ 10,229,459	$ 6,448,706	$ 526,748	$ 327,532	(3,094,771)	168,298	(2,926,473)

	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Property Taxes Levied for:			
General Purposes	177,278	0	177,278
Police and Fire	557,937	0	557,937
Income Taxes Levied for:			
General Purposes	1,808,693	0	1,808,693
Grants and Entitlements not Restricted to Specific Programs	230,992	0	230,992
Gain on Sale of Capital Assets	86,000	0	86,000
Other Local Taxes	42,942	0	42,942
Miscellaneous	183,422	53,311	236,733
Insurance Recoveries	0	4,716	4,716
Investment Earnings	23,351	0	23,351
Total General Revenues	3,110,615	58,027	3,168,642
Change in Net Position	15,844	226,325	242,169
Net Position Beginning of Year (Restated, See Note 2)	11,247	5,056,330	5,067,577
Net Position End of Year	$ 27,091	$ 5,282,655	$ 5,309,746

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Balance Sheet
Governmental Funds
December 31, 2018

	General	Street Maintenance and Repair	Fire and Ambulance	Fire Levy V	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Investments	$ 356,002	$ 28,539	$ 81,390	$ 236	$ 376,919	$ 843,086
Investment in Segregated Accounts	0	0	0	0	182,672	182,672
Accounts Receivable	62,890	0	137,586	0	0	200,476
Intergovernmental Receivable	112,029	168,508	0	4,300	35,118	319,955
Taxes Receivable	201,652	0	0	51,791	587,781	841,224
Income Taxes Receivable	819,069	0	0	0	0	819,069
Interfund Receivable	0	0	0	0	51,877	51,877
Materials and Supplies Inventory	0	7,676	0	0	0	7,676
Advances to Other Funds	0	0	0	0	97,388	97,388
Total Assets	$ 1,551,642	$ 204,723	$ 218,976	$ 56,327	$ 1,331,755	$ 3,363,423
Liabilities						
Accounts Payable	$ 58,188	$ 284	$ 3,836	$ 0	$ 9,115	$ 71,423
Accrued Wages	33,082	6,724	6,141	0	0	45,947
Intergovernmental Payable	23,177	3,908	4,212	0	172	31,469
Interfund Payable	0	0	0	0	51,877	51,877
Advances from Other Funds	12,883	0	0	0	0	12,883
Total Liabilities	127,330	10,916	14,189	0	61,164	213,599
Deferred Inflows of Resources						
Property Taxes Levied for the Next Year	161,639	0	0	41,514	467,060	670,213
Unavailable Revenue	643,183	86,238	117,850	14,577	144,066	1,005,914
Total Deferred Inflows of Resources	804,822	86,238	117,850	56,091	611,126	1,676,127
Fund Balances						
Nonspendable	0	7,676	0	0	280,060	287,736
Restricted	0	99,893	0	236	406,564	506,693
Committed	0	0	86,937	0	0	86,937
Assigned	213,761	0	0	0	0	213,761
Unassigned	405,729	0	0	0	(27,159)	378,570
Total Fund Balances	619,490	107,569	86,937	236	659,465	1,473,697
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,551,642	$ 204,723	$ 218,976	$ 56,327	$ 1,331,755	$ 3,363,423

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2018

Total Governmental Fund Balances			$	1,473,697
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.				4,678,503
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:				
Delinquent Property Taxes	$	165,910		
Income Tax		525,033		
Intergovernmental		197,121		
Accounts		117,850		1,005,914
The net pension liability and net OPEB liability are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.				
Deferred Outflows - Pension		623,709		
Deferred Outflows - OPEB		277,034		
Net Pension Liability		(3,212,921)		
Net OPEB Liability		(2,617,534)		
Deferred Inflows - Pension		(470,520)		
Deferred Inflows - OPEB		(112,270)		(5,512,502)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:				
General Obligation Bonds		(335,117)		
OPWC Loans		(124,596)		
ODOT Loan		(291,040)		
USDA Loans		(244,860)		
Roberts Building Note		(13,335)		
Street Sweeper Loan		(69,145)		
Police and Fire Pension		(137,920)		
Capital Leases		(244,113)		
Compensated Absences		(158,395)		(1,618,521)
Net Position of Governmental Activities			$	27,091

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Street Maintenance and Repair	Fire and Ambulance	Fire Levy V	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	$ 175,168	$ 0	$ 0	$ 56,698	$ 505,605	$ 737,471
Income Taxes	1,657,317	0	0	0	0	1,657,317
Other Local Taxes	0	0	0	0	57,965	57,965
Charges for Services	262,414	0	561,118	0	27,005	850,537
Licenses and Permits	64,578	0	0	0	9,596	74,174
Fines and Forfeitures	60,619	0	0	0	2,137	62,756
Intergovernmental	224,926	317,430	1,310	8,939	489,007	1,041,612
Interest	21,189	139	0	0	2,826	24,154
Rent	3,600	0	8,400	0	0	12,000
Contributions and Donations	12,125	0	0	0	22,719	34,844
Other	111,554	6,811	33,916	0	31,141	183,422
Total Revenues	2,593,490	324,380	604,744	65,637	1,148,001	4,736,252
Expenditures						
Current:						
General Government	888,272	0	0	0	26	888,298
Security of Persons and Property	1,406,473	0	557,493	1,291	471,309	2,436,566
Public Health	15,690	0	0	0	46,490	62,180
Community Development	0	0	0	0	13,700	13,700
Transportation	0	535,175	0	0	81,831	617,006
Capital Outlay	98,461	0	0	491,718	818,085	1,408,264
Debt Service:						
Principal Retirement	27,055	32,566	25,375	72,800	20,025	177,821
Interest and Fiscal Charges	5,848	8,329	1,576	2,200	17,228	35,181
Total Expenditures	2,441,799	576,070	584,444	568,009	1,468,694	5,639,016
Excess of Revenues Over (Under) Expenditures	151,691	(251,690)	20,300	(502,372)	(320,693)	(902,764)
Other Financing Sources (Uses)						
Inception of Capital Lease	84,926	0	0	0	78,286	163,212
Proceeds from Sale of Capital Assets	0	0	0	0	86,000	86,000
Issuance of ODOT Loans	0	0	0	0	291,040	291,040
Transfers In	28,000	249,151	30,000	0	20,000	327,151
Transfers Out	(299,151)	0	0	0	(28,000)	(327,151)
Total Other Financing Sources (Uses)	(186,225)	249,151	30,000	0	447,326	540,252
Net Change in Fund Balance	(34,534)	(2,539)	50,300	(502,372)	126,633	(362,512)
Fund Balance Beginning of Year	654,024	110,108	36,637	502,608	532,832	1,836,209
Fund Balance End of Year	$ 619,490	$ 107,569	$ 86,937	$ 236	$ 659,465	$ 1,473,697

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, 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		$ (362,512)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	$ 1,267,865	
Current Year Depreciation	(381,798)	886,067
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(2,256)	
Income Tax	151,376	
Intergovernmental	(10,510)	
Accounts	9,720	148,330
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	77,865	
OPWC Loans	16,015	
USDA Loans	14,290	
Revolving Loan	4,100	
Roberts Building Loan	15,568	
Street Sweeper Loan	12,569	
Police and Fire Pension	5,693	
Capital Leases	31,721	177,821
Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
ODOT Loan		(291,040)
Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		(163,212)
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	307,458	
OPEB	3,877	311,335
Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(463,712)	
OPEB	(203,060)	(666,772)
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		(24,173)
Change in Net Position of Governmental Activities		$ 15,844

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Property Taxes	$ 165,356	$ 175,190	$ 175,168	$ (22)
Income Taxes	1,517,424	1,603,980	1,607,467	3,487
Charges for Services	247,715	260,954	262,414	1,460
Licenses and Permits	65,186	69,079	69,054	(25)
Fines and Forfeitures	57,223	62,911	60,619	(2,292)
Intergovernmental	212,586	225,353	225,201	(152)
Interest	20,002	19,607	21,189	1,582
Rent	3,398	3,600	3,600	0
Contributions and Donations	11,446	12,125	12,125	0
Other	110,463	119,005	117,018	(1,987)
Total Revenues	2,410,799	2,551,804	2,553,855	2,051
Expenditures				
Current:				
General Government	832,987	911,034	875,981	35,053
Security of Persons and Property	1,415,436	1,459,000	1,420,338	38,662
Public Health	18,500	15,700	15,690	10
Capital Outlay	36,535	15,930	15,930	0
Debt Service:				
Principal Retirement	27,404	27,404	27,055	349
Interest and Fiscal Charges	5,848	5,848	5,848	0
Total Expenditures	2,336,710	2,434,916	2,360,842	74,074
Excess of Revenues Over (Under) Expenditures	74,089	116,888	193,013	76,125
Other Financing Sources (Uses)				
Advances Out	(2,301)	(4,301)	(4,301)	0
Transfers Out	(229,171)	(299,151)	(299,151)	0
Total Other Financing Sources (Uses)	(231,472)	(303,452)	(303,452)	0
Net Change in Fund Balance	(157,383)	(186,564)	(110,439)	76,125
Fund Balance Beginning of Year	352,146	352,146	352,146	0
Prior Year Encumbrances Appropriated	49,415	49,415	49,415	0
Fund Balance End of Year	$ 244,178	$ 214,997	$ 291,122	$ 76,125

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Maintenance and Repair Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Intergovernmental	$ 297,141	$ 316,998	$ 317,008	$ 10
Interest	130	108	139	31
Other	6,384	6,812	6,811	(1)
Total Revenues	303,655	323,918	323,958	40
Expenditures				
Current:				
Transportation	444,952	549,385	538,805	10,580
Debt Service:				
Principal Retirement	33,326	33,326	32,566	760
Interest and Fiscal Charges	9,282	9,282	8,329	953
Total Expenditures	487,560	591,993	579,700	12,293
Excess of Revenues Over (Under) Expenditures	(183,905)	(268,075)	(255,742)	12,333
Other Financing Sources (Uses)				
Transfers In	230,698	249,151	249,151	0
Advances Out	2,829	(10)	0	10
Total Other Financing Sources (Uses)	233,527	249,141	249,151	10
Net Change in Fund Balance	49,622	(18,934)	(6,591)	12,343
Fund Balance Beginning of Year	34,509	34,509	34,509	0
Prior Year Encumbrances Appropriated	329	329	329	0
Fund Balance End of Year	$ 84,460	$ 15,904	$ 28,247	$ 12,343

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Fire and Ambulance Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Charges for Services	$ 500,413	$ 565,250	$ 564,518	$ (732)
Intergovernmental	1,161	1,310	1,310	0
Rent	7,446	8,400	8,400	0
Other	30,065	33,916	33,916	0
Total Revenues	539,085	608,876	608,144	(732)
Expenditures				
Current:				
Security of Persons and Property	598,939	571,620	565,635	5,985
Debt Service:				
Principal Retirement	24,389	24,389	25,375	(986)
Interest and Fiscal Charges	3,572	3,572	1,576	1,996
Total Expenditures	626,900	599,581	592,586	6,995
Excess of Revenues Over (Under) Expenditures	(87,815)	9,295	15,558	6,263
Other Financing Sources (Uses)				
Transfers In	70,915	30,000	30,000	0
Net Change in Fund Balance	(16,900)	39,295	45,558	6,263
Fund Balance Beginning of Year	21,752	21,752	21,752	0
Prior Year Encumbrances Appropriated	2,919	2,919	2,919	0
Fund Balance End of Year	$ 7,771	$ 63,966	$ 70,229	$ 6,263

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2018

	Enterprise Funds			
	Water	Sanitation	Sewer	Total
Assets				
Current Assets:				
Equity in Pooled Cash and Investments	$ 600,553	$ 49,993	$ 51,208	$ 701,754
Accounts Receivable	375,944	115,572	77,509	569,025
Materials and Supplies Inventory	61,464	0	0	61,464
Total Current Assets	1,037,961	165,565	128,717	1,332,243
Non-Current Assets:				
Restricted Assets:				
Equity in Pooled Cash and Investments	8,227	2,497	1,276	12,000
Non-Depreciable Capital Assets	166,440	5,000	0	171,440
Depreciable Capital Assets, Net	13,213,726	613,597	948,824	14,776,147
Total Non-Current Assets	13,388,393	621,094	950,100	14,959,587
Total Assets	14,426,354	786,659	1,078,817	16,291,830
Deferred Outflows of Resources				
Pension	249,441	106,964	66,927	423,332
OPEB	50,447	27,382	20,573	98,402
Total Deferred Outflows of Resources	299,888	134,346	87,500	521,734
Liabilities				
Current Liabilities:				
Accounts Payable	12,147	5,954	8,562	26,663
Accrued Wages	22,174	9,558	2,802	34,534
Intergovernmental Payable	14,014	5,061	2,281	21,356
Accrued Interest Payable	589	4,835	11,247	16,671
Compensated Absences Payable	16,373	3,180	1,402	20,955
Capital Leases Payable	58,148	0	0	58,148
Loans Payable	12,882	36,528	51,497	100,907
OPWC Loans Payable	44,606	0	0	44,606
OWDA Loans Payable	784,586	0	8,416	793,002
General Obligation Bonds Payable	20,000	0	0	20,000
Total Current Liabilities	985,519	65,116	86,207	1,136,842
Long-Term Liabilities:				
Compensated Absences Payable - Net of Current Portion	79,730	0	7,405	87,135
Capital Leases Payable - Net of Current Portion	121,546	0	0	121,546
Refundable Deposits	8,227	2,497	1,276	12,000
Loans Pyable - Net of Current Portion	55,784	382,304	512,297	950,385
OPWC Loans Payable - Net of Current Portion	459,743	0	0	459,743
OWDA Loans Payable - Net of Current Portion	5,204,437	0	169,391	5,373,828
General Obligation Bonds Payable - Net of Current Portion	60,000	0	0	60,000
Advances from Other Funds	4,886	28,103	51,516	84,505
Net Pension Liability	1,036,201	384,875	207,240	1,628,316
Net OPEB Liability	685,512	254,619	137,102	1,077,233
Total Long-Term Liabilities	7,716,066	1,052,398	1,086,227	9,854,691
Total Liabilities	8,701,585	1,117,514	1,172,434	10,991,533
Deferred Inflows of Resources				
Pension	281,069	99,402	55,296	435,767
OPEB	74,429	18,967	10,213	103,609
Total Deferred Inflows of Resources	355,498	118,369	65,509	539,376
Net Position				
Net Investment in Capital Assets	6,632,365	199,765	207,223	7,039,353
Unrestricted	(963,206)	(514,643)	(278,849)	(1,756,698)
Total Net Position	$ 5,669,159	$ (314,878)	$ (71,626)	$ 5,282,655

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Enterprise Funds			
	Water	Sanitation	Sewer	Total
Operating Revenues				
Charges for Services	$ 4,041,305	$ 885,657	$ 512,557	$ 5,439,519
Other	37,695	10,422	5,194	53,311
Total Operating Revenues	4,079,000	896,079	517,751	5,492,830
Operating Expenses				
Personal Services	1,690,427	642,168	368,360	2,700,955
Contractual Services	719,598	206,710	29,425	955,733
Materials and Supplies	346,315	49,736	41,031	437,082
Depreciation	800,321	38,393	54,471	893,185
Total Operating Expenses	3,556,661	937,007	493,287	4,986,955
Operating Income (Loss)	522,339	(40,928)	24,464	505,875
Non-Operating Revenues (Expense)				
Intergovernmental	0	3,500	0	3,500
Loss on Sale of Capital Assets	(11,933)	(54,276)	(50,750)	(116,959)
Insurance Recoveries	4,716	0	0	4,716
Interest and Fiscal Charges	(139,159)	(9,669)	(21,979)	(170,807)
Total Non-Operating Revenues (Expense)	(146,376)	(60,445)	(72,729)	(279,550)
Change in Net Position	375,963	(101,373)	(48,265)	226,325
Net Position Beginning of Year (Restated, See Note 2)	5,293,196	(213,505)	(23,361)	5,056,330
Net Position End of Year	$ 5,669,159	$ (314,878)	$ (71,626)	$ 5,282,655

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Enterprise Funds			
	Water	Sanitation	Sewer	Total
Cash Flows from Operating Activities				
Cash Received from Customers	$ 3,914,317	$ 885,945	$ 494,694	$ 5,294,956
Cash Received from Other Operating Receipts	37,695	10,422	5,194	53,311
Cash Payments to Suppliers for Goods and Services	(336,932)	(58,467)	(33,671)	(429,070)
Cash Payments to Employees for Services and Benefits	(1,548,064)	(580,634)	(329,731)	(2,458,429)
Cash Payments for Contractual Services	(719,598)	(206,710)	(29,425)	(955,733)
Net Cash Provided by (Used for) Operating Activities	1,347,418	50,556	107,061	1,505,035
Cash Flows from Noncapital Financing Activities				
Operating Grants Received	0	3,500	0	3,500
Other Non-Operating Revenues	4,716	0	0	4,716
Principal Payments on Noncapital Debt	(18,215)	0	0	(18,215)
Interest Payments on Noncapital Debt	(2,775)	0	0	(2,775)
Net Cash Provided by (Used for) Noncapital Financing Activities	(16,274)	3,500	0	(12,774)
Cash Flows from Capital and Related Financing Activities				
Proceeds of Loans	0	155,845	337,569	493,414
Acquisition of Capital Assets	(12,845)	(155,545)	(370,519)	(538,909)
Advances Out	(9,869)	(3,730)	(6,119)	(19,718)
Principal Payments on Debt	(886,341)	(16,380)	(21,840)	(924,561)
Interest Payments on Debt	(136,507)	(9,112)	(13,964)	(159,583)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,045,562)	(28,922)	(74,873)	(1,149,357)
Net Increase (Decrease) in Cash and Investments	285,582	25,134	32,188	342,904
Cash and Investments Beginning of Year	323,198	27,356	20,296	370,850
Cash and Investments End of Year	$ 608,780	$ 52,490	$ 52,484	$ 713,754
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	$ 522,339	$ (40,928)	$ 24,464	$ 505,875
Adjustments:				
Depreciation	800,321	38,393	54,471	893,185
(Increase) Decrease in Assets and Deferred Outflows:				
Accounts Receivable	(129,659)	(348)	(18,206)	(148,213)
Prepaid Items	1,997	704	334	3,035
Materials and Supplies Inventory	6,233	1,361	1,361	8,955
Deferred Outflows - Pension/OPEB	313,288	70,046	14,696	398,030
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	3,150	(10,092)	5,999	(943)
Accrued Wages	2,913	1,530	94	4,537
Refundable Deposits	2,671	636	343	3,650
Compensated Absences Payable	12,230	3,048	3,547	18,825
Intergovernmental Payable	1,380	294	182	1,856
Deferred Inflows - Pension/OPEB	339,155	96,523	50,486	486,164
Net Pension Liability	(541,975)	(141,184)	(55,789)	(738,948)
Net OPEB Liability	13,375	30,573	25,079	69,027
Net Cash Provided by (Used For) Operating Activities	$ 1,347,418	$ 50,556	$ 107,061	$ 1,505,035

Noncash Capital Financing Activities:
The City entered into a capital lease agreement for 3 vehicles in the amount of $94,736 in the water fund in 2018.
Governmental activities paid principal payments in the amount of $25,090 for the sanitation fund and principal and interest payments in the amounts of $46,510 and $1,002, respectively, for the sewer fund.

See accompanying notes to the basic financial statements.

City of Martins Ferry
Belmont County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2018

		Agency Funds
Assets		
Equity in Pooled Cash and Investments	$	55,637
Cash and Investments in Segregated Accounts		130
Total Assets	$	55,767
Liabilities		
Undistributed Monies	$	55,767

See accompanying notes to the basic financial statements.

Note 1 - Reporting Entity and Basis of Presentation

The City of Martins Ferry (the "City") is a municipal corporation established under the laws of the State of Ohio. The City operates under a Mayor/Council form of government Legislative power is vested in an eight member Council, each elected for two year terms, and other elected officials that include a Mayor, Auditor, Treasurer, and Law Director. The Mayor appoints the department directors and public members of various boards and commissions.

The City is located in Belmont County, in Eastern Ohio, on the Ohio River and is the largest city in Belmont County. The City became a settlement in 1835 and was chartered as a city in 1865.

Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments, and organizations making up the City (the primary government) and its potential component units consistent with Government Accounting Standards Board Statements No. 14, *The Financial Reporting Entity*, No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14,* and No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34.*

The City provides various services including police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, water and water pollution control, sanitation 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; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the levying of taxes or the issuance of debt. The City has no component units.

The City is involved with the Belmont Metropolitan Housing Authority, Eastern Ohio Regional Transit Authority, Ohio Mid-Eastern Governments Association, Jefferson-Belmont Joint Solid Waste Authority, Belmont County Sewer Authority, and Bel-O-Mar Regional Council which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 17.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis of Presentation

The City's basic financial statements consist 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 statements distinguish between those activities of the City that are governmental and those that are considered business-type.

The statement of net position presents the financial condition of the governmental and business-type activities 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 limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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. Fiduciary funds are reported by type.

B. 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 and deferred outflows and liabilities and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

> ***General Fund*** The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Maintenance and Repair Fund The street maintenance and repair special revenue fund is required by the Ohio Revised Code to account for state gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

Fire and Ambulance Fund The fire and ambulance special revenue fund is used to account for fees charged and collected for ambulance services.

Fire Levy V Fund The fire levy V capital projects fund is used to account for property taxes collected for the purchase of a new fire truck.

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following is the City's proprietary fund type:

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The water, sanitation, and sewer funds are the City's major enterprise funds.

Water Fund The water fund accounts for the provision of water service to the residents and commercial users located within the City.

Sanitation Fund The sanitation fund accounts for the provision of sanitation service to the residents and commercial users located within the City.

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

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 has no trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund accounts for monies acquired by the police department in the course of arrests and funds set aside to be used in the reclamation of properties destroyed by fire where insurance proceeds are not sufficient and includes the receipts and disbursements of the Mayor's Court.

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and deferred outflows of resources and liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

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 and deferred outflows of resources and current liabilities and deferred inflows of resources 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 resources) 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 statements for governmental funds.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported in 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 arise in the recognition of revenue, the recording of deferred inflows of resources, and in the preparation of expenses versus expenditures.

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied (See Note 6). Revenue from grants is recognized in the fiscal 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 fiscal 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 non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: investment earnings, state-levied locally shared taxes (including gasoline tax, motor vehicle license tax, and homestead and rollback), and fines and forfeitures.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent 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, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position 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, pension, OPEB 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 on both the government-wide statement of net position and 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 may include delinquent property taxes, income taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12)

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.

E. Budgetary Data

All funds, except agency funds, are legally required to be budgeted and appropriated. 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 tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council’s authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were passed by Council.

The appropriations resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

F. Cash and Investments

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 City records. Interest in the pool is presented as "equity in pooled cash and investments." Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost.

During fiscal year 2018, the City's investments were limited to a certificate of deposit, a money market and a repurchase agreement.

Investment procedures are restricted by the provisions of the Ohio Revised Code and the City's investment policy. Interest revenue credited to the general fund during 2018 amounted to $21,189, which includes $16,288 assigned from other City funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the payment and an expenditure/expense is reported in the year in which services are consumed.

H. Materials and Supplies Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used. Inventory consists of expendable supplies held for consumption.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Customer deposits have been restricted in the enterprise funds because the deposit remains the property of the customer. The restricted asset account is balanced by a customer deposit payable liability account.

J. Capital Assets

General capital assets are capital assets that are associated and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital 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 proprietary funds are reported in both 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 are updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of $5,000, except for infrastructure which is set at $10,000. 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 proprietary fund capital assets is also capitalized.

All reported capital assets, except for land and construction in progress, are depreciated. 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:

Description	Governmental Activities	Business-Type Activities
Buildings	40 Years	40 Years
Building Improvements	20-50 Years	20-50 Years
Infrastructure	15-50 Years	15-50 Years
Equipment and Machinery	3-20 Years	3-20 Years
Vehicles	5 Years	5 Years

The City reported infrastructure for governmental activities for the first time in 2004; therefore, the City only reports the amounts acquired after 2004.

K. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them are reported as “due to/due from other funds.”

On fund financial statements, long-term interfund loans are classified as “advances to/from other funds” on the balance sheet and are equally offset by a fund balance reserve account 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.”

L. 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, 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 fiscal year. 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.

M. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employee's right to receive compensation is attributable to services already rendered and it is probable that the employer will compensate the employee 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 includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year-end, taking into consideration any limits specified in the City's termination policy.

N. Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon 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.

O. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually 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, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of City Council. Those committed amounts cannot be used for any other purpose unless Council removes or changes the specified use by taking the same type of action (resolution) 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 or 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 the City. The City has by resolution authorized the Auditor to assign fund balance. The City may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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 used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned and unassigned) amounts are 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.

P. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

Q. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are primarily for charges for services for water, sanitation and sewer services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

R. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

S. 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 Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2018.

T. Estimates

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

U. Implementation of New Accounting Principles and Restatement of Net Position

For the fiscal year ended December 31, 2018, the City has implemented Governmental Accounting Standards Board (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 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. See below for the effect on net position as previously reported.

	Governmental Activities	Business-Type Activities
Net Position, December 31, 2017	$ 2,264,834	$ 6,051,069
Adjustments:		
Net OPEB Liability	(2,268,777)	(1,008,206)
Deferred Outflow-Payments		
Subsequent to Measurement Date	15,190	13,467
Restated Net Position, December 31, 2017	$ 11,247	$ 5,056,330

	Water	Sanitation	Sewer	Total Business-Type Activities
Net Position, December 31, 2017	$ 5,956,355	$ 7,548	$ 87,166	$ 6,051,069
Adjustments:				
Net OPEB Liability	(672,137)	(224,046)	(112,023)	(1,008,206)
Deferred Outflow-Payments				
Subsequent to Measurement Date	8,978	2,993	1,496	13,467
Restated Net Position, December 31, 2017	$ 5,293,196	$ (213,505)	$ (23,361)	$ 5,056,330

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the City.

Note 3 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the general fund and major special revenue funds 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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).

2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

3. Outstanding year end encumbrances are treated as expenditures/expenses (budget basis) rather than as an assignment or commitment of fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budget basis statements for the general fund and major special revenue funds.

Net Change in Fund Balance

	General	Sreet Maintenance and Repair	Fire and Ambulance
GAAP Basis	$ (34,534)	$ (2,539)	$ 50,300
Net Adjustment for Revenue Accruals	(152,561)	(422)	3,400
Net Adjustment for Expenditure Accruals	141,538	(3,338)	3,019
Adjustment for Encumbrances	(64,882)	(292)	(11,161)
Budget Basis	$ (110,439)	$ (6,591)	$ 45,558

Note 4 - Deposits and Investments

The City maintains a cash deposit and investment pool for all funds. Each fund's share of cash deposits and investments is shown separately on the statement of net position and balance sheet as "Equity in Pooled Cash 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 has identified as not required for use within the current two-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 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 maturing not more than one year from the date of deposit, or by savings or deposit accounts including passbook accounts.

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, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies may 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 or 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, Government National Mortgage Association, and Student Loan Marketing 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 division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred and seventy days, respectively, from the purchase date in any amount not to exceed forty percent of the interim monies available for investment at any one time; and

8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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 Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

The municipal court fund is maintained separately from the City's deposits. The carrying amount of the deposits is reported as "Cash in Segregated Accounts." The cemetery endowment fund has a non-negotiable certificate of deposit that is maintained separately from the City's deposits. The carrying amount of the certificate of deposit is reported as "Investment in Segregated Accounts."

Deposits

At year-end, the carrying amount of the City's deposits was $726,855 and the bank balance was $871,983. Of the bank balance:

1. $432,769 was covered by Federal depository insurance, by collateral held by the City, or by collateral held by the City's agent in the name of the City; and

2. $439,214 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the City's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

As of December 31, 2018, the City had the following investment and maturity:

Investment Type	Measurement Amount	6 Months or Less	Percent of Total
Cost:			
Repurchase Agreement	$ 1,068,424	$ 1,068,424	100.00%

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.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required 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.

Credit Risk The City's investments in the federal agency securities that underlie the City's repurchase agreement were rated AAA by Moody's Investor Services. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk The City places no limit on the amount that may be invested in any one issuer.

Note 5 - Interfund Activity

A. Interfund Balances

Interfund balances at December 31, 2018 consisted of the following:

	Interfund Receivable	Interfund Payable
Governmental:		
Nonmajor Governmental Funds	$ 51,877	$ 51,877
Totals	$ 51,877	$ 51,877

The permanent improvement fund advanced $51,877 to the fire levy III fund to pay for fire truck equipment. The interfund loan is expected to be repaid in 2019.

	Advances to Other Funds	Advances from Other Funds
Governmental:		
General Fund	$ 0	$ 12,833
Permanent Improvement	97,388	0
Business-Type:		
Water	0	4,886
Sanitation	0	28,103
Sewer	0	51,516
Totals	$ 97,388	$ 97,338

In 2014, the permanent improvement fund advanced $31,165 to the water fund for the purchase of a service truck. This advance is being repaid over 5 years with monthly payments of $539 including 1.5 percent interest.

During 2016 and 2017, the permanent improvement fund advanced $25,060 to the water and sanitation funds for the purchase of a new utility billing software. These advances will be repaid in monthly installments over five years. Also during 2016, the permanent improvement fund advanced $42,000 to the general fund for the purchase of a new police vehicle. This advance will be repaid over 42 months, interest free. During 2018, the remaining $28,000 balance of this loan was forgiven.

During 2017, the permanent improvement fund advanced $25,307 to the general and sewer fund for the down payment on a street sweeper. These advances will be repaid in monthly installments over 7 years at an interest rate of 3.2 percent.

During 2018, the permanent improvement fund advanced $25,090 to the sanitation fund for the first payment on a new packer. This advance will be repaid in monthly installments over 7 years at an interest rate of 4.18 percent.

During 2018, the permanent improvement fund advanced $47,512 to the sewer fund for the first payment on a new vacall sewer cleaner. This advance will be repaid in monthly installments over 7 years at an interest rate of 3.28 percent.

B. Interfund Transfers

Interfund transfers for the year ended December 31, 2018, consisted of the following:

Fund	Transfers Out	Transfers In
Governmental:		
General	$ 299,151	$ 28,000
Street Maintenance and Repair	0	249,151
Fire and Ambulance	0	30,000
Nonmajor Governmental Funds:		
Permanent Improvement	28,000	0
Cemetery	0	20,000
Totals	$ 327,151	$ 327,151

Interfund transfers made from the general fund were done to provide additional resources for current operations. The transfer from the permanent improvement fund to the general fund represents the forgiveness of a long-term advance in 2018.

Note 6 - Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2018 for real and public utility property taxes represents collections of the 2017 taxes.

2018 real property taxes were levied after October 1, 2018 on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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 statue permits later payment dates to be established.

Public utility tangible personal property currently 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 which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was $13.10 per $1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	$ 65,594,940
Public Utilities - Real	71,240
Public Utilities - Personal	5,332,860
Total Assessed Value	$ 70,999,040

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2018, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2018 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Note 7 - Income Taxes

The City levies a municipal income tax of 1.0 percent, (increased from 0.75 percent effective June 1, 2014) on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside the City; however, the City allows a credit for income taxes paid to another municipality up to 100 percent of the City's current rate.

Employers within the City are required to withhold income tax on employee compensation and 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 proceeds are to be used for the purpose of general municipal operations, maintenance, new equipment, extension and enlargement of municipal services, facilities and capital improvements of the City as determined by City Council. In 2018, the proceeds were receipted to the general fund.

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Note 8 - Capital Assets

A summary of changes in capital assets during 2018 follows:

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 712,451	$ 0	$ 0	$ 712,451
Construction in Progress	64,574	496,168	(560,742)	0
Total Capital Assets Not Being Depreciated	777,025	496,168	(560,742)	712,451
Capital Assets, Being Depreciated:				
Buildings	2,178,398	0	0	2,178,398
Building Improvements	975,458	0	0	975,458
Equipment and Machinery	1,019,034	98,818	0	1,117,852
Infrastructure	1,849,261	560,742	0	2,410,003
Vehicles	3,846,121	672,879	(127,844)	4,391,156
Total Capital Assets, Being Depreciated	9,868,272	1,332,439	(127,844)	11,072,867
Less Accumulated Depreciation:				
Buildings	(1,441,796)	(39,069)	0	(1,480,865)
Building Improvements	(826,742)	(9,615)	0	(836,357)
Equipment and Machinery	(783,858)	(54,749)	0	(838,607)
Infrastructure	(461,872)	(105,297)	0	(567,169)
Vehicles	(3,338,593)	(173,068)	127,844	(3,383,817)
Total Accumulated Depreciation	(6,852,861)	(381,798)	127,844	(7,106,815)
Total Capital Assets, Being Depreciated, Net	3,015,411	950,641	0	3,966,052
Total Governmental Activities Capital Assets, Net	$ 3,792,436	$ 1,446,809	$ (560,742)	$ 4,678,503

Depreciation expense was charged to governmental functions as follows:

General Government	$ 8,547
Leisure Time Activities	32,496
Security of Persons and Property	205,296
Transportation	129,458
Community and Economic Development	986
Public Health	5,015
Total	$ 381,798

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Land	$ 171,440	$ 0	$ 0	$ 171,440
Construction in Progress	35,800	0	(35,800)	0
Total Capital Assets Not Being Depreciated	207,240	0	(35,800)	171,440
Capital Assets, Being Depreciated:				
Buildings	6,373,055	0	(66,510)	6,306,545
Building Improvements	2,024,094	0	0	2,024,094
Equipment and Machinery	8,954,959	0	0	8,954,959
Infrastructure	10,426,929	0	0	10,426,929
Vehicles	1,400,046	633,645	(249,605)	1,784,086
Total Capital Assets, Being Depreciated	29,179,083	633,645	(316,115)	29,496,613
Less Accumulated Depreciation:				
Buildings	(3,200,903)	(154,498)	66,510	(3,288,891)
Building Improvements	(1,252,081)	(91,190)	0	(1,343,271)
Equipment and Machinery	(6,257,934)	(279,750)	0	(6,537,684)
Infrastructure	(2,454,067)	(259,206)	0	(2,713,273)
Vehicles	(897,252)	(108,541)	168,446	(837,347)
Total Accumulated Depreciation	(14,062,237)	(893,185)	234,956	(14,720,466)
Total Capital Assets, Being Depreciated, Net	15,116,846	(259,540)	(81,159)	14,776,147
Total Business-Type Capital Assets, Net	$ 15,324,086	$ (259,540)	$ (116,959)	$ 14,947,587

Depreciation expense was charged to the programs as follows:

Water	$ 800,321
Sanitation	38,393
Sewer	54,471
Total	$ 893,185

Note 9 - Receivables

Receivables at December 31, 2018, consisted of taxes, interfund, accounts (billings for user charged services), advances to other funds and intergovernmental receivables arising from entitlements and shared revenues. All receivables are deemed collectible in full.

Note 10 - Risk Management

The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2018 PEP retained $500,000 for casualty claims and $250,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2018.

	2018
Casualty and Property Coverage	
Assets	$ 49,921,998
Liabilities	(14,676,199)
Net Position	$ 35,245,799

At December 31, 2018 the liabilities above include approximately $13.0 million of estimated incurred claims payable. The assets above also include approximately $11.8 million of unpaid claims to be billed. The Pool's membership increased to 538 members in 2018. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the City's share of these unpaid claims collectible in future years is approximately $75,884.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

Contributions to PEP	
2016	$ 112,964
2017	118,687
2018	120,451

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

The City pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs to provide coverage to employees for job related injuries.

Note 11 - Defined Benefit Pension Plans

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2018 Actual Contribution Rates	
Employer:	
Pension	14.00 %
Post-Employment Health Care Benefits	0.00 %
Total Employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $355,857 for 2018. Of this amount, $35,164 is reported as an intergovernmental payable.

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

Full-time police 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 July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

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

Under normal service retirement, retired members who are at least 55 years old and have been receiving 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 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-W) 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.

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

	Police
2018 Statutory Maximum Contribution Rates	
Employer	19.50 %
Employee	12.25 %
2018 Actual Contribution Rates	
Employer:	
Pension	19.00 %
Post-Employment Health Care Benefits	0.50 %
Total Employer	19.50 %
Employee	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $147,322 for 2018. Of this amount, $16,069 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2018, the specific liability of the City was $137,920 payable in semi-annual payments through the year 2035.

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

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability 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 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	OPF	Total
Proportion of the Net Pension Liability:			
Current Measurement Period	0.018872%	0.030642%	
Prior Measurement Period	0.019305%	0.029703%	
Change in Proportion	-0.000433%	0.000939%	
Proportionate Share of the Net Pension Liability	$ 2,960,574	$ 1,880,663	$ 4,841,237
Pension Expense	$ 556,638	$ 229,367	$ 786,005

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OPF	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 3,024	$ 28,540	$ 31,564
Changes of Assumptions	353,807	81,949	435,756
Changes in Proportionate Share	31,354	45,188	76,542
City Contributions Subsequent to the Measurement Date	355,857	147,322	503,179
Total Deferred Outflows of Resources	$ 744,042	$ 302,999	$ 1,047,041
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 58,342	$ 3,401	$ 61,743
Net Difference between Projected and Actual Earnings on Pension Plan Investments	635,596	65,057	700,653
Changes in Proportionate Share	126,977	16,914	143,891
Total Deferred Inflows of Resources	$ 820,915	$ 85,372	$ 906,287

$503,179 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. 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	OPF	Total
2019	$ 195,558	$ 50,796	$ 246,354
2020	(89,014)	33,694	(55,320)
2021	(278,099)	(33,688)	(311,787)
2022	(261,175)	(17,185)	(278,360)
2023	0	29,577	29,577
Thereafter	0	7,111	7,111
	$ (432,730)	$ 70,305	$ (362,425)

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 was determined by an actuarial valuation as of December 31, 2017, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017 are presented below.

Valuation Date	December 31, 2017
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Investment Rate of Return	7.50 percent
Actuarial Cost Method	Individual Entry Age
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple

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 table.

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

The long-term expected 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 of 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 percent for 2017.

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

Discount Rate The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the 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 was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.50 percent) or one-percentage-point higher (8.50 percent) 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	$ 5,257,226	$ 2,960,574	$ 1,045,859

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 retirement plan involve estimates of the value 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:

Actuarial Cost Method	Entry Age (Level Percent of Payroll)
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Increases	3.25 percent (inflation plus productivity increase)
Inflation Assumptions	2.75 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.20 percent simple for increases based on lesser of the increase in CPI and 3.00 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.

Age	Police
67 or less	77
68-77	105
78 and up	115

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	Police
59 or less	35
60-69	60
70-79	75
80 and up	100

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return 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 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**
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
U.S. Inflation Linked Bonds*	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	120.00 %		

Note: Assumptions are geometric.
* Levered 2x
** Numbers are net of expected 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 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's Proportionate Share of the Net Pension Liability	$ 2,607,057	$ 1,880,663	$ 1,288,176

Note 12 - Defined Benefit OPEB Plans

Net OPEB Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have 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 had no contractually required contribution for 2018.

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

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.

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 $3,877 for 2018. Of this amount, $423 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows/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:

	OPERS	OPF	Total
Proportion of the Net OPEB Liability:			
Current Measurement Period	0.018036%	0.030642%	
Prior Measurement Period	0.018485%	0.029703%	
Change in Proportion	-0.000449%	0.000939%	
Proportionate Share of the Net OPEB Liability	$ 1,958,606	$ 1,736,161	$ 3,694,767
OPEB Expense	$ 148,930	$ 141,831	$ 290,761

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

	OPERS	OPF	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 1,526	$ 0	$ 1,526
Changes of Assumptions	142,607	169,410	312,017
Changes in Proportionate Share	19,129	38,887	58,016
City Contributions Subsequent to the Measurement Date	0	3,877	3,877
Total Deferred Outflows of Resources	$ 163,262	$ 212,174	$ 375,436
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 8,756	$ 8,756
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	145,903	11,428	157,331
Changes in Proportionate Share	49,792	0	49,792
Total Deferred Inflows of Resources	$ 195,695	$ 20,184	$ 215,879

$3,877 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 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:

Year Ending December 31:	OPERS	OPF	Total
2019	$ 17,774	$ 26,315	$ 44,089
2020	18,611	26,315	44,926
2021	(32,343)	26,315	(6,028)
2022	(36,475)	26,315	(10,160)
2023	0	29,172	29,172
Thereafter	0	53,681	53,681
	$ (32,433)	$ 188,113	$ 155,680

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 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.

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	$ 2,602,093	$ 1,958,606	$ 1,438,032

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 Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	$ 1,873,969	$ 1,958,606	$ 2,046,035

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.
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	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent
Single discount rate:	
Currrent measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.20 percent simple for increased based on the lesser of the increase in CPI and 3.00 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.

Age	Police
67 or less	77
68-77	105
78 and up	115

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	Police
59 or less	35
60-69	60
70-79	75
80 and up	100

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
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 the 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.

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	$ 2,170,187	$ 1,736,161	$ 1,402,147

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:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
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 Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	$ 1,348,659	$ 1,736,161	$ 2,258,316

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 NOL is not known.

Note 13 - Other Employee Benefits

The City provides life insurance and accidental death and dismemberment insurance to all union employees as well as all non-union full-time employees, excluding elected officials. The amount of the life insurance policy for the union employees is based on the employee's rate of pay while the police receive a $30,000 policy and all City supervisors receive a $30,000 policy.

The City contracts with a local Health Management Organization, Health Plan of the Upper Ohio Valley, for hospitalization insurance for all employees. The City pays $1,545 of the total monthly premiums of $1,717 for family coverage and $596 of the monthly premiums of $662 for individual coverage. Premiums are paid from the same funds that pay the employees' salaries. City AFSCME Union employees and full-time police pay $172 for family coverage and $66 for single coverage.

The City contracts with Met Life for dental insurance for all supervisors. The City pays 100 percent of the total monthly premiums of $114 for family coverage, $66 for employees with only one dependent, and $34 for single coverage. Premiums are paid from the same funds that pay the employees' salaries. The City contracts with Ohio AFSCME Care Plan for dental insurance for all union employees and police. The City pays 100 percent of the total monthly premiums of $64 per union employee and $26 per police. Premiums are paid from the same funds that pay the employees' salaries.

Note 14 - Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation and sick leave at different rates depending upon length of service and type of employment. Vacation leave benefits are lost at year end if employees do not use these balances during the year unless prior approval has been obtained from the department head. Upon retirement or death, employees are paid to a maximum of 720 hours for accumulated unused sick leave. Police are paid upon retirement and completion of twenty-five years of service. Police receive payment for a maximum of 600 hours.

Note 15 - Long-Term Obligations

The original issue date, maturity date, interest rate and original issuance amount for the City's debt follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
St. Route 647 OPWC Loan - 2003	0.00	$ 10,029	July 1, 2023
Roberts Building Note - 2009	3.00	140,000	November 1, 2019
State Fire Marshall Revolving Loan - 2013	0.00	41,000	July 1, 2018
Street Paving OPWC Loan - 2015	0.00	97,880	January 1, 2026
USDA Loan- Equipment - 2015	3.25	77,280	November 1, 2023
USDA Loan- Building - 2016	2.875	203,100	June 1, 2046
Street Sweeper - 2017	3.200	96,899	October 20, 2023
General Obligaton Bond: Fire Truck Acquisition - 2017	2.95	488,616	December 1, 2022
First Street Paving OPWC Loan	0.00	57,267	January 20, 2027
ODOT - SIB Loan -2018	3.00	291,040	June 19, 2038
Business-Type Activities:			
Ferryview/Sharon Road Waterlines OWDA Loan - 2004	2.00	$ 3,370,848	January 1, 2025
Water Treatment Plant OWDA Loan - 1995	2.00	10,369,124	January 1, 2022
Woodmont Pump Station OPWC Loan - 2004	0.00	20,000	July 1, 2023
Water Tank OPWC Loan - 2007	2.00	255,000	July 1, 2027
Woodmont Street Pump Project OPWC Loan - 2007	0.00	231,526	July 1, 2028
Water Treatment Plant and Well Field Project OPWC Loan - 2009	0.00	379,600	January 1, 2032
Water Meters OWDA Loan - 2011	2.00	1,299,083	January 1, 2042
Water Treatment System Improvement Bonds - 2013	3.375-4.00	190,000	December 1, 2022
County Road 4 Waterline Replacement OWDA Loan - 2015	1.57	2,721,841	July 1, 2046
USDA Loan- Equipment - 2015	3.25	198,720	November 1, 2023
USDA Loan- Building - 2016	2.875	473,900	June 1, 2046
Cemetery Road Sewer Replacement OWDA Loan - 2016	2.220	198,051	July 1, 2036
Street Sweeper - 2017	3.200	64,599	October 20, 2023
Packer - 2018	4.180	155,845	Novemeber 14, 2024
Vacall Sewer Truck - 2018	3.450	337,569	October 20, 2023

A schedule of changes in long-term obligations of the City during 2018 follows:

	Restated Outstanding 12/31/2017	Additions	Deletions	Outstanding 12/31/2018	Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Fire Truck	$ 412,982	$ 0	$ (77,865)	$ 335,117	$ 80,162
OPWC Loans:					
State Route 647	3,009	0	(501)	2,508	501
Street Paving	83,198	0	(9,788)	73,410	9,788
First Street Paving	54,404	0	(5,726)	48,678	5,727
Total OPWC Loans	140,611	0	(16,015)	124,596	16,016
USDA Loans:					
Equipment Loan	60,405	0	(9,809)	50,596	9,492
Building Loan	198,745	0	(4,481)	194,264	4,610
Total USDA Loans	259,150	0	(14,290)	244,860	14,102
Roberts Building Note	28,903	0	(15,568)	13,335	13,335
State Fire Marshall Revolving Loan	4,100	0	(4,100)	0	0
Street Sweeper Loan	81,714	0	(12,569)	69,145	12,972
ODOT - SIB Loan	0	291,040	0	291,040	0
Police and Fire Pension	143,613	0	(5,693)	137,920	5,938
Capital Leases	112,622	163,212	(31,721)	244,113	52,517
Compensated Absences	134,222	43,421	(19,248)	158,395	37,469
Net Pension Liability	3,897,928	0	(685,007)	3,212,921	0
Net OPEB Liability	2,268,777	348,757	0	2,617,534	0
Total Governmental Activities	$ 7,484,622	$ 846,430	$ (882,076)	$ 7,448,976	$ 232,511
Business-Type Activities:					
OWDA Loans:					
Ferryview/Sharon Road Waterlines	$ 1,334,976	$ 0	$ (179,516)	$ 1,155,460	$ 183,124
Water Treatment Plant	2,022,459	0	(490,660)	1,531,799	500,475
Water Meters	808,086	0	(26,530)	781,556	27,064
County Rd 4 Waterline Replacement	2,591,795	0	(71,587)	2,520,208	73,923
Cemetary Road Sewer Replacement	186,039	0	(8,232)	177,807	8,416
Total OWDA Loans	6,943,355	0	(776,525)	6,166,830	793,002
OPWC Loans:					
Woodmont Street Pump Project	127,342	0	(11,576)	115,766	11,576
Woodmont Pump Station	6,000	0	(1,000)	5,000	1,000
Water Tank	140,146	0	(12,793)	127,353	13,050
Water Treatment Plant and Well Field	275,210	0	(18,980)	256,230	18,980
Total OPWC Loans	548,698	0	(44,349)	504,349	44,606
General Obligation Bonds:					
Water Treatment System Improvement	100,000	0	(20,000)	80,000	20,000
USDA Loans:					
Equipment Loan	153,095	0	(22,991)	130,104	24,408
Building Loan	463,734	0	(10,456)	453,278	10,756
Total USDA Loans	616,829	0	(33,447)	583,382	35,164
Street Sweeper Loan	54,476	0	(8,380)	46,096	8,648
Packer Loan	0	155,845	(25,090)	130,755	19,624
Vacall Sewer Truck Loan	0	337,569	(46,510)	291,059	37,471
Capital Leases	145,033	94,736	(60,075)	179,694	58,148
Compensated Absences	89,265	25,720	(6,895)	108,090	20,955
Net Pension Liability - OPERS	2,367,264	0	(738,948)	1,628,316	0
Net OPEB Liability - OPERS	1,008,206	69,027	0	1,077,233	0
Total Business-Type Activities	$ 11,873,126	$ 682,897	$ (1,760,219)	$ 10,795,804	$ 1,037,618

There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund and water, sewer, and sanitation funds. For additional information related to the net pension liability and net OPEB liability see Notes 11 and 12.

The OWDA loans, OPWC loans for Woodmont Pump Station, water tank, water treatment plant, well field project and County Road 4 waterline projects will be paid from water fund revenues. The OPWC loan for street paving and the repair of State Route 647 road slippage will be repaid from the state highway fund. The USDA equipment loan will be repaid from the general, water and sanitation funds. The USDA building loan will be repaid from the street, sewer and sanitation funds. The police and fire pension liability will be paid from general property tax revenues. The capital leases will be paid from the general and water funds. The Roberts Building note will be repaid from the fire and ambulance fund. The State Fire Marshall Revolving Loan was used to purchase a vehicle for the fire department and will be repaid from the fire apparatus III fund. The Fire Truck Acquisition bond will be repaid from the fire apparatus V fund. The ODOT loan will be repaid from the ODOT capital projects fund. The packer loan will be repaid from the sanitation fund. The Vacall loan will be repaid from the sewer fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. These funds typically include general, street, water, and sewer. The City pays obligations related to employee compensation from the fund benefitting from their service.

Principal and interest requirements to retire governmental activities debt at December 31, 2018 are as follows:

	General Obligation Bonds		Police and Fire Pension		USDA Loans		Roberts Building Note	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 80,162	$ 9,886	$ 5,938	$ 5,799	$ 14,102	$ 7,229	$ 13,335	$ 183
2020	82,527	7,521	6,193	5,544	14,515	6,808	0	0
2021	84,962	5,086	6,469	5,278	14,987	6,334	0	0
2022	87,466	2,580	6,736	5,001	15,463	5,866	0	0
2023	0	0	7,025	4,711	15,944	5,382	0	0
2024-2028	0	0	39,921	18,763	28,133	22,869	0	0
2029-2033	0	0	49,252	8,432	32,416	18,570	0	0
2034-2038	0	0	16,386	690	37,352	13,632	0	0
2039-2043	0	0	0	0	43,039	7,943	0	0
2044-2046	0	0	0	0	28,909	1,680	0	0
Totals	$ 335,117	$ 25,073	$ 137,920	$ 54,218	$ 244,860	$ 96,313	$ 13,335	$ 183

	Street Sweeper Loan		ODOT -SIB		OPWC Loans	Total	
Year	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2019	$ 12,972	$ 2,213	$ 0	$ 0	$ 16,016	$ 142,570	$ 25,310
2020	13,387	1,798	6,156	4,497	16,016	138,794	26,168
2021	13,815	1,369	12,591	8,706	16,016	148,840	26,773
2022	14,257	927	12,971	8,314	16,016	152,909	22,688
2023	14,714	470	13,363	7,911	16,013	67,059	18,474
2024-2028	0	0	73,126	33,055	44,519	185,699	74,687
2029-2033	0	0	84,864	20,962	0	166,532	47,964
2034-2038	0	0	87,969	6,932	0	141,707	21,254
2039-2043	0	0	0	0	0	43,039	7,943
2044-2046	0	0	0	0	0	28,909	1,680
Totals	$ 69,145	$ 6,777	$ 291,040	$ 90,377	$ 124,596	$ 1,216,058	$ 272,941

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay $7,254,561 of Ohio Public Works Commission (OPWC), Ohio Water Development Authority (OWDA) and U.S. Department of Agriculture (USDA) loans. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 18.2 percent. The total principal and interest remaining to be paid on the loans is $8,458,809. Principal and interest paid for the current year and total net revenues were $987,617 and $1,407,276, respectively.

Principal and interest requirements to retire business-type activities debt at December 31, 2018 are as follows:

	OWDA Loans		OPWC Loans		General Obligation Bonds	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 793,002	$ 111,510	$ 44,606	$ 2,482	$ 20,000	$ 3,375
2020	808,587	95,922	44,868	2,220	20,000	2,700
2021	824,629	79,882	45,136	1,952	20,000	2,025
2022	309,583	63,815	45,409	1,679	20,000	2,025
2023	315,490	57,909	45,688	1,401	0	0
2024-2028	819,497	226,211	212,207	2,705	0	0
2029-2033	672,777	167,612	66,435	0	0	0
2034-2038	701,960	107,639	0	0	0	0
2039-2043	590,842	46,240	0	0	0	0
2044-2046	330,463	9,138	0	0	0	0
Totals	$ 6,166,830	$ 965,878	$ 504,349	$ 12,439	$ 80,000	$ 10,125

	KS State Bank-Packer		KS-State Bank-Vacall		Street Sweeper	
Year	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 19,624	$ 5,466	$ 37,471	$ 10,042	$ 8,648	$ 1,475
2020	20,444	4,645	38,764	8,749	8,924	1,198
2021	21,299	3,791	40,101	7,411	9,210	913
2022	22,189	2,900	41,484	6,028	9,505	618
2023	23,117	1,973	42,916	4,597	9,809	314
2024-2028	24,082	1,007	90,323	14,701	0	0
2029-2033	0	0	0	0	0	0
2034-2038	0	0	0	0	0	0
2039-2043	0	0	0	0	0	0
2044-2046	0	0	0	0	0	0
Totals	$ 130,755	$ 19,782	$ 291,059	$ 51,528	$ 46,096	$ 4,518

	USDA Loans		Total	
Year	Principal	Interest	Principal	Interest
2019	$ 35,164	$ 17,261	$ 958,515	$ 151,611
2020	36,194	16,203	$ 977,781	$ 131,637
2021	37,376	15,023	$ 997,751	$ 110,997
2022	38,568	13,852	$ 486,738	$ 90,917
2023	39,770	12,640	$ 476,790	$ 78,834
2024-2028	65,644	53,360	$ 1,211,753	$ 297,984
2029-2033	75,638	43,330	$ 814,850	$ 210,942
2034-2038	87,154	31,808	$ 789,114	$ 139,447
2039-2043	100,424	18,534	$ 691,266	$ 64,774
2044-2046	67,450	3,920	$ 397,913	$ 13,058
Totals	$ 583,382	$ 225,931	$ 7,802,471	$ 1,290,201

Note 16 - Capitalized Leases - Lessee Disclosure

During 2015, the City entered into a lease for compressors. The lease meets the criteria of a capital lease as it transfers benefits and risks of ownership to the lessee. The assets acquired by the lease were capitalized in the water fund in the amount of $120,115. Accumulated depreciation was $39,037 as of December 31, 2018, leaving a current book value of $81,078. These amounts were equal to the present value of the future minimum lease payments at the time of acquisition. A corresponding liability was recorded and is reduced for each required principal payment. The City also entered into a capital lease for its lighting retrofit project. The assets did not meet the City's policy for a capital asset; therefore, no assets were capitalized related to the lease. Payments will be paid from the general and water funds.

During 2018, the City entered into leases for seven vehicles. The leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee. Four of the assets acquired by the leases were capitalized in governmental activities in the amount of $181,161. Accumulated depreciation was $15,097 as of December 31, 2018, leaving a current book value of $166,064. The remaining three assets acquired by the leases were capitalized in the water fund in the amount of $107,581. Accumulated depreciation was $13,979 as of December 31, 2018, leaving a current book value of $93,602. These amounts were equal to the present value of the future minimum lease payments at the time of acquisition. Corresponding liabilities were recorded and are reduced for each required principal payment. Payments will be paid from the general fund and water fund, respectively.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2018:

	Governmental Activities	Business-Type Activities
2019	$ 63,415	$ 64,486
2020	63,415	42,422
2021	63,415	42,422
2022	57,001	37,175
2023	25,172	8,028
	272,418	194,533
Less amount representing interest	28,305	14,839
Present value of minimum lease payments	$ 244,113	$ 179,694

Note 17 - Jointly Governed Organizations

A. Belmont Metropolitan Housing Authority

Belmont Metropolitan Housing Authority is a non-profit organization established to provide adequate public housing for low income individuals and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a five member board of commissioners. Two members are appointed by the Mayor of Martins Ferry, one member is appointed by the Belmont County Commissioners, one member is appointed by the judge of the probate court, and one member is appointed by the judge of the court of common pleas. The City did not contribute any amounts to the Authority during 2018. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has no outstanding debt for which the City of Martins Ferry is responsible.

B. Eastern Ohio Regional Transit Authority

Eastern Ohio Regional Transit Authority was established to provide transportation to the residents of the Ohio Valley and is statutorily created as a separate and distinct political subdivision of the State. The Authority is operated by a board of directors that is appointed by the nine Mayors of the municipalities served by the Authority. The City did not contribute any amounts to the Authority during 2018. The continued existence of the Authority is not dependent on the City's continued participation and no equity interest exists. The Authority has no outstanding debt for which the City of Martins Ferry is responsible.

C. Ohio Mid-Eastern Governments Association (OMEGA)

Ohio Mid-Eastern Governments Association (OMEGA) 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 sixteen 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 Martins Ferry 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 upon the most recent United States census. During 2018, OMEGA received $2,194 from the City of Martins Ferry. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt.

D. Jefferson-Belmont Joint Solid Waste Authority

Jefferson-Belmont Joint Solid Waste Authority is established by state statutes and is operated to provide solid waste services to Jefferson and Belmont counties. The Authority is governed by a fourteen member board of directors of which the Mayor of the City of Martins Ferry is a member. The Authority is not dependent on the City of Martins Ferry for its continued existence, no debt exists, and the City does not maintain an equity interest. The City does not make any monetary contributions to the Authority.

E. Belmont County Sewer Authority

Belmont County Sewer Authority is established by Ohio Revised Code Section 6119, serving the municipalities of Bellaire, Brookside, and Martins Ferry. The Authority is operated by a four member Board of Trustees. One member of the Board is appointed by the Mayor of Martins Ferry. The Authority is not dependent on the City of Martins Ferry for its continued existence and the City does not maintain an equity interest. The City does not make any monetary contributions to the Authority.

F. Bel-O-Mar Regional Council

Bel-O-Mar Regional Council is operated as a non-profit organization formed to provide planning and administrative services to all local governments in a four county region comprised of Belmont County, Ohio and three counties in West Virginia. The governing board is comprised of 58 officials from the four county service area of which three members and one alternate member are appointed by Belmont County and one member is appointed by each local government within Belmont County. The Mayor of the City of Martins Ferry serves as the City's representative on the board. The Council is not dependent upon the City of Martins Ferry for its continued existence, no debt exists, and the City does not maintain an equity interest. During 2018, the City did not contribute any amounts to the Council.

Note 18 - Significant 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:

Fund	Amount
General	$ 10,964
Street	72
Fire and Ambulance	8,708
Other Governmental Funds	49,798
Totals	$ 69,542

Note 19 - Contingencies

A. Grants

The City received financial assistance from 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 the overall financial position of the City at December 31, 2018.

B. Litigation

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

Note 20 - Fund Balance

Fund balance can be 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 the resources in governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	Street Maintenance and Repair	Fire and Ambulance	Fire Levy V	Other Governmental Funds	Total
Nonspendable for:						
Inventory	$ 0	$ 7,676	$ 0	$ 0	$ 0	$ 7,676
Long Term Advances	0	0	0	0	97,388	97,388
Endowment	0	0	0	0	182,672	182,672
Total Nonspendable	0	7,676	0	0	280,060	287,736
Restricted for:						
Street, Highway, City Improvement	0	99,893	0	0	30,054	129,947
Public Safety/Law Enforcement	0	0	0	236	92,945	93,181
Community Development	0	0	0	0	33,755	33,755
Permanent Improvement	0	0	0	0	231,797	231,797
Recreation	0	0	0	0	12	12
Other Purposes	0	0	0	0	18,001	18,001
Total Restricted	0	99,893	0	236	406,564	506,693
Committed for:						
Public Safety/Law Enforcement	0	0	86,937	0	0	86,937
Assigned for:						
Encumbrances:						
Capital Outlay	2,395	0	0	0	0	2,395
Security of Persons and Property	8,569	0	0	0	0	8,569
Subsequent Year Appropriations	202,797	0	0	0	0	202,797
Total Assigned	213,761	0	0	0	0	213,761
Unassigned	405,729	0	0	0	(27,159)	378,570
Total Fund Balance	$ 619,490	$ 107,569	$ 86,937	$ 236	$ 659,465	$ 1,473,697

Fund balances at December 31, 2018, included a fund deficit of $27,159 in the fire levy III fund. The general fund is liable for any deficit in these funds and will provide operating transfers when cash is required, not when accruals occur.

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City of Martins Ferry
Belmont County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Last Five Years (1)

	2018	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)					
City's Proportion of the Net Pension Liability	0.018872%	0.019305%	0.020403%	0.020679%	0.020679%
City's Proportionate Share of the Net Pension Liability	$ 2,960,574	$ 4,383,822	$ 3,534,057	$ 2,494,119	$ 2,437,785
City's Covered Payroll	$ 2,493,893	$ 2,495,558	$ 2,539,275	$ 2,535,233	$ 2,001,838
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.71%	175.67%	139.18%	98.38%	121.78%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%
Ohio Police and Fire Pension Fund (OPF)					
City's Proportion of the Net Pension Liability	0.030642%	0.029703%	0.029764%	0.030339%	0.030339%
City's Proportionate Share of the Net Pension Liability	$ 1,880,663	$ 1,881,370	$ 1,914,739	$ 1,571,702	$ 1,477,619
City's Covered Payroll	$ 743,692	$ 709,605	$ 672,031	$ 666,532	$ 411,538
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	252.88%	265.13%	284.92%	235.80%	359.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	72.20%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

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City of Martins Ferry
Belmont County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - Pension
Last Ten Years

	2018	2017	2016	2015
Ohio Public Employees' Retirement System (OPERS)				
Contractually Required Contribution	$ 355,857	$ 324,206	$ 299,467	$ 304,713
Contributions in Relation to the Contractually Required Contribution	(355,857)	(324,206)	(299,467)	(304,713)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
City's Covered Payroll	$ 2,541,836	$ 2,493,893	$ 2,495,558	$ 2,539,275
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%
Ohio Police and Fire Pension Fund (OPF)				
Contractually Required Contribution	$ 147,322	$ 141,302	$ 134,825	$ 127,686
Contributions in Relation to the Contractually Required Contribution	(147,322)	(141,302)	(134,825)	(127,686)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
City's Covered Payroll	$ 775,379	$ 743,692	$ 709,605	$ 672,031
Contributions as a Percentage of Covered Payroll	19.00%	19.00%	19.00%	19.00%

(n/a) Information prior to 2013 is not available.

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
$ 304,228	$ 260,239	n/a	n/a	n/a	n/a
(304,228)	(260,239)	n/a	n/a	n/a	n/a
$ 0	$ 0	n/a	n/a	n/a	n/a
$ 2,535,233	$ 2,001,838	n/a	n/a	n/a	n/a
12.00%	13.00%	n/a	n/a	n/a	n/a
$ 126,968	$ 64,735	$ 122,405	$ 103,552	$ 100,756	$ 118,754
(126,968)	(64,735)	(122,405)	(103,552)	(100,756)	(118,754)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 666,532	$ 411,538	$ 960,039	$ 812,173	$ 790,243	$ 931,404
19.05%	15.73%	12.75%	12.75%	12.75%	12.75%

See accompanying notes to the required supplementary information.

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City of Martins Ferry
Belmont County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Last Two Years (1)

	2018	2017
Ohio Public Employees' Retirement System (OPERS)		
City's Proportion of the Net OPEB Liability	0.018036%	0.018485%
City's Proportionate Share of the Net OPEB Liability	$ 1,958,606	$ 1,867,048
City's Covered Payroll	$ 2,493,893	$ 2,495,558
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	78.54%	74.81%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%
Ohio Police and Fire Pension Fund (OPF)		
City's Proportion of the Net OPEB Liability	0.030642%	0.029703%
City's Proportionate Share of the Net OPEB Liability	$ 1,736,161	$ 1,409,935
City's Covered Payroll	$ 743,692	$ 709,605
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	233.45%	198.69%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

City of Martins Ferry
Belmont County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Last Ten Years

	2018	2017	2016	2015
Ohio Public Employees' Retirement System (OPERS)				
Contractually Required Contribution	$ 0	$ 24,939	$ 49,911	n/a
Contributions in Relation to the Contractually Required Contribution	0	(24,939)	(49,911)	n/a
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	n/a
City's Covered Payroll (1)	$ 2,541,836	$ 2,493,893	$ 2,495,558	n/a
Contributions as a Percentage of Covered Payroll	0.00%	1.00%	2.00%	n/a
Ohio Police and Fire Pension Fund (OPF)				
Contractually Required Contribution	$ 3,877	$ 3,718	$ 3,548	$ 3,360
Contributions in Relation to the Contractually Required Contribution	(3,877)	(3,718)	(3,548)	(3,360)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
City's Covered Payroll	$ 775,379	$ 743,692	$ 709,605	$ 672,031
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

(n/a) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
(1) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

2014	2013	2012	2011	2010	2009
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
$ 3,333	$ 34,272	$ 42,371	$ 35,845	$ 34,877	$ 41,107
(3,333)	(34,272)	(42,371)	(35,845)	(34,877)	(41,107)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 666,532	$ 411,538	$ 960,039	$ 812,173	$ 790,243	$ 931,404
0.50%	8.33%	4.41%	4.41%	4.41%	4.41%

See accompanying notes to the required supplementary information.

Note 1 - Net Pension Liability

Changes in Assumptions – OPERS

Amounts reported in calendar year 2017 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 8.00 percent to 7.50 percent
- Wage inflation rate from 3.75 percent to 3.25 percent
- Price inflation from 3.00 percent to 2.50 percent

Changes in Assumptions – OP&F

For 2017, the single discount rate changed from 8.25 percent to 8.00 percent.

Note 2 - Net OPEB Liability

Changes in Assumptions - OPERS

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions – OPF

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

Rea & associates a brighter way

July 30, 2019

To the Members of Council and Management
City of Martins Ferry
Belmont County, Ohio
35 South 5th Street
Martins Ferry, OH 43935

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Martins Ferry, Belmont 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 July 30, 2019, in which we noted the City restated beginning net position balances to account for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*.

Internal Control over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph of and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *Schedule of Findings*, we did identify certain deficiencies in internal controls that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying *Schedule of Findings* as items 2018-001 and 2018-002 to be material weaknesses.

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A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying *Schedule of Findings* as item 2018-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings* as item 2018-001.

The City's Response to Findings

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

Purpose of this Report

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

Rea & Associates, Inc.

New Philadelphia, Ohio

**SCHEDULE OF FINDINGS
DECEMBER 31, 2018**

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

FINDING NUMBER 2018-001

Material Noncompliance and Material Weakness - Utilities

Criteria: The City's management has a responsibility to design and maintain internal control over financial reporting. Internal controls must exist over the City's utility billing, adjustments, and collection system. Knowledge of the operating system, as well as the daily operating requirements, should be understood by the appropriate personnel.

In addition, Martins Ferry, Codified Ordinances, § 933.03 (1986) specifically addresses the treatment of delinquent utility charges. The codified ordinance reads as follows:

(a) The policy for the City concerning the discontinuance of water and/or sanitation utility service for all applicable customers of such services, as recently developed and promulgated by the Director of Public Service, is hereby formally adopted by Council and made applicable thereby to all customers of the City water and/or sanitation services.

(b) A copy of such policy and any properly adopted amendments thereto shall be kept by the Council Clerk in a file bearing the same number as Ordinance 86-18, and shall be open for public inspection, on request, at all reasonable times.

Condition: During our testing of adjustments to customer utility bills, we noted the following issues:

- There were 383 noncash adjustments made during fiscal year 2018 including, but not limited to, customers being double billed or over billed, penalty forgiveness, meter reading errors, account write-offs, and late shut off of accounts.
- Noncash adjustments were being made without proper approvals of the Service Director and/or Utility Manager.
- There were $1,698,673 in large noncash adjustments due to errors in the meter readings that were not corrected prior to billing.

During our testing of the billing and collection function, we noted the following:

- City Council does not approve utility rates.
- Service Director did not have an approved rate schedule for water, sewer, and sanitation.
- There is no formal review and approval of deleted customer billings.
- Customer deposits on accounts are not properly accounted for and reconciled.
- There are inconsistencies in billing practices, including, but not limited to, when penalties are assessed on customer accounts, when services should be terminated for outstanding balances, confusion regarding what the appropriate rates are for specific customers, confusion whether or not customers should be billed for specific services, customers being over or under-billed due to incorrect rate codes being entered into the system.
- There is no formal review of voided daily cash receipts or adjustments.
- General lack of knowledge regarding the City's utility billing system and proper billing procedures.

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

FINDING NUMBER 2018-001
(Continued)

Material Noncompliance and Material Weakness - Utilities (Continued)

During our testing of the billing function, we noted the following issues on some employee accounts:

- The City did make efforts to get all aged outstanding employee accounts on payment plans, however we noted that some employees were making inconsistent payments in 2018. This issue appeared to be corrected by the end of 2018, but there were still several employees with significant outstanding utility balances.
- Employee outstanding utility balances over $250 at December 31, 2018 include:
    1. Pipe Fitter - $1,716
    2. Patrolman - $1,414
    3. Utility Clerk (Billing) - $924
    4. Lab Technician - $683
    5. Pump Operator/ Maintenance Man (Water) - $869
    6. Electrician - $852

In addition, we noted the City has developed policies and procedures for discontinuance of service in accordance with codified ordinance 933.03, however it does not appear to be applying them consistently.

Cause: The City has developed written policies and procedures for utility billings, and as a result there have been improvements but there are still deficiencies in internal controls over utility billings and customer adjustments. The City has changed billing systems in recent years and is still working on gaining sufficient knowledge to manage all aspects of the system.

Effect: There were a significant number of nonstandard adjustments required throughout the year to correct billing errors, as well as, to correct adjustments that were posted incorrectly. The lack of internal controls over the billing and posting process allows an opportunity for material misstatements to exist and remain undetected and uncorrected by management. There were also difficulties in reconciling cash transactions between the utility department and the City Auditor's office.

Recommendation: The City should take the following steps:

- Enforce established policies and procedures to address discontinuance of service pursuant to codified ordinance 933.03.
- The City Service Director and/or Utility Manager should review all noncash adjustments, as well as, periodically review customer accounts to ensure delinquency and shut off notices are being sent and completed on all customers.
- Council should establish a rate schedule for all customers to ensure proper billing.
- The City should hold employees accountable for account balances, and on-time payment of accounts, as not all employees are receiving the comparable benefit.

Officials' Response: We are in the progress of correcting all things recommended.

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

FINDING NUMBER 2018-002

Material Weakness – Internal Controls over Financial Reporting

Criteria: The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. AU-C 265 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the audit to report in writing to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, AU-C 265 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

All local public offices shall maintain an accounting system and accounting records sufficient to enable the public office to identify, assemble, analyze, classify, record and report its transactions, maintain accountability for the related assets, document compliance with finance-related legal and contractual requirements and prepare financial statements.

Condition: There was a material audit adjustment required to the financial statements presented for audit.

In addition to the adjustment noted above, we also noted other immaterial adjustments that the City decided to post to the financial statements.

Cause: The City did not have procedures in place to ensure the financial statements were materially correct.

Effect: There was an error in the calculation of income taxes receivable which resulted in an understatement of income taxes receivable and income tax revenue of $163,501 for governmental activities and an understatement of income taxes receivable and deferred inflows of resources of $163,501 for the general fund.

Recommendation: The City should implement procedures to ensure the financial statements presented for audit are materially accurate and complete.

Officials' Response: This has been addressed and corrected as best the City could.

FINDING NUMBER 2018-003

Significant Deficiency - Payroll

Criteria: City management is responsible for maintaining an accounting system and accounting records sufficient to enable the City to identify, assemble, analyze, classify, record and report its transactions and maintain accountability for its related assets and liabilities. The accounting system should assure that the financial statement assertions are achieved for all transaction types and account balances.

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

FINDING NUMBER 2018-003
(Continued)

Significant Deficiency - Payroll (Continued)

Condition/Cause: During our testing of payroll, we noted the following:

- The City does not have procedures in place to review the pay rates that are being entered into the accounting system, which could cause over or underpayment to employees. Various rates are used based on the different union contracts, city ordinances, out of classification wage, additional duties performed, afternoon or night differentials, whether an employee worked during the weekend or a holiday, and if they were working a different position for that pay period. The Payroll Clerk has to input different rates each pay period for multiple employees. We noted no secondary review of the various rates being used.
- Leave and compensatory time records are maintained manually in a binder by the Payroll Clerk. There is no secondary review of the amount being posted to the leave records to ensure the proper amounts are being used and carried forward. Binders are kept manually from year to year, which increases the risk of errors with no oversight. There is significant risk of error with no oversight, as leave binders date back over 20 years for some employees.
- The Employee Handbook- Personnel Records states that "The City will maintain a file on each employee. An employee's personnel file begins with his/her completed employment application form and release statement. From time to time, information will be added to this personnel file regarding an individual's employment status with the City. All official records concerning an employee will be kept up to date." Personnel files are not maintained for City employees, which should include employees' job classifications and date of hire. The City is currently in the process of updating personnel files for all employees.
- The City does not have procedures in place to review the appropriateness of the fund and account code an employee's time is being charged. We did not note any funds charged incorrectly, but the City does not have procedures in place to document management review and approval of pay allocations.

Effect: Failure to implement internal controls over the payroll process could result in inaccurate or improper employee pay.

Recommendation: The City should consider implementing the following procedures:

- Pay rates input into the system should be reviewed by management to ensure they are entered and being used appropriately.
- Due to the City not using an automated system for tracking leave and compensatory time, records should be reviewed by management to ensure the proper amounts are being recorded and carried forward.
- Personnel files should be maintained.
- Management should review and approve fund and account codes that employee wages are being charged against to ensure reasonableness and allowability.

Officials' Response: We are currently developing policies and procedures to ensure payroll is accurate.

City of Martins Ferry

Rita K. Randall 35 South 5th Street Phone: (740) 633-9462
Auditor Martins Ferry, OH 43935 Fax: (740) 635-6027

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Finding For Recovery	Fully Corrected	Fully repaid during the audit period.
2017-002	Noncompliance- Deficit Cash Fund Balances	Fully Corrected	Issue was fully corrected.
2017-003	Noncompliance and Material Weakness- Utility Department	Not Corrected	Repeated as Finding 2018-001. A Utility Committee has been formed, which consists of three Council members that have created policies and requests reports on a quarterly basis from the Utility Office. The City is currently working on implementing internal controls to fully address.
2017-004	Material Weakness – Management Monitoring	Fully Corrected	City Council began reviewing detailed revenue, expense and payroll reports on a monthly basis.
2017-005	Material Weakness – Financial Reporting	Not Corrected	Repeated as Finding 2018-002. The City has implemented additional review controls over the financial statements, however a material adjustment was required to the financial statements presented for audit.
2017-006	Significant Deficiency- Payroll Disbursements	Not Corrected	Repeated as Finding 2018-003. The City is working with the payroll clerk on how to set up various checks and balances.
2017-007	Significant Deficiency- Budgeted Receipts	Fully Corrected	Issue was fully corrected.

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OHIO AUDITOR OF STATE
KEITH FABER

CITY OF MARTINS FERRY

BELMONT COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 24, 2019

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370
www.ohioauditor.gov