CITY OF WILMINGTON
CLINTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF WILMINGTON
CLINTON COUNTY

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CLINTON COUNTY

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

City of Wilmington
Clinton County
69 North South Street
Wilmington, Ohio 45177

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Clinton County, Ohio (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *management's discussion and analysis*, *Required budgetary comparison schedules* and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 7, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

August 7, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2018 are as follows:

- Total net position of the City increased by $1,446,401 during 2018 due to a $417,363 increase in governmental activities and a $1,029,038 increase in business-type activities.

- The General Fund had an increase in fund balance of $633,526, or 16.6% compared with the fund balance reported one year prior.

- Enterprise fund operations posted operating income of $1,285,767 due to rate increases in the Water and Waste Funds combined with an increase in business usage.

- General Fund actual expenditures were less than the budgeted amounts primarily due to timing differences with various construction projects. Additionally, the City provided less funding through transfers to other funds than anticipated. The General Fund reported a $1,062,618 increase in the budgetary fund balance for the year.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. These statements are organized to provide the reader with an overview of the City's condition as a whole and then proceed to provide a more detailed view of the City's operations.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregated view of the City's finances and a longer-term view of those statements. 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 non-major funds presented in total in one column.

REPORTING THE CITY AS A WHOLE

Statement of Net Position and the Statement of Activities

"How did the City of Wilmington do financially in 2018?" The broad answer to this question can be obtained with a look at the Statement of Net Position and the Statement of Activities. These statements include all assets, liabilities and deferred outflows/inflows of the City using the accrual basis of accounting, which is similar to the accounting methods used by private-sector businesses. This basis of accounting takes into account all of the current year's revenue and expenses, regardless of when the actual cash was received or paid.

These two statements report the City's net position and the change in that net position. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the City's financial well-being. Other factors must then be considered, such as the City's property tax base, the condition of the streets and other capital assets, and the growth or decline in area businesses and residential neighborhoods.

In the Statement of Net Position and the Statement of Activities, the City is divided into two kinds of activities.

- Governmental Activities – Most of the City's services are reported here and include police, fire, emergency medical, public maintenance, parks and recreation, judicial, legislative, and executive.

- Business-Type Activities – These services include water, sewer, and waste. Service fees for these operations are charged based upon usage. The intent is that the fees are sufficient to cover the costs of operation.

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 9. Fund financial statements, beginning on page 13, provide the detailed information about those major funds. The City uses many different funds, some of which are required by law and others are used to help segregate and control revenues intended for specific purposes. The City has three kinds of funds - "governmental", "proprietary" and "fiduciary".

Governmental Funds – Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a 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 available in the near future to finance City programs. We detail the relationship between net position of governmental activities, as reported in the Statement of Net Position and the Statement of Activities, and governmental fund balances in a reconciliation on pages 14 and 16.

Enterprise Funds – City utility services for water, sewer and waste are operated as enterprise funds. These are business-type activities that receive a significant portion of their funding from user charges. These funds are listed under the heading of "business-type activities" on the Statement of Net Position and the Statement of Activities since they are reported in much the same manner as other business-type activities. The reader should note that these funds are a part of the "government-wide" statements, but not a part of the "governmental funds".

Fiduciary Funds – The City is the agent for assets that are to be remitted to private organizations or other governments. The City's role is purely custodial, in that we record the receipt and subsequent remittance to the proper entity. The City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities on page 21. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the basic financial statements begin on page 22.

THE CITY AS A WHOLE

The following table provides a summary of the City's net position for 2018 as compared to 2017.

Table 1
Net Position, December 31,

	2018			Restated 2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets:						
Current and Other Assets	$ 11,416,690	10,034,854	21,451,544	10,274,444	8,728,376	19,002,820
Capital Assets	16,392,182	26,372,068	42,764,250	16,528,803	27,660,724	44,189,527
Total Assets	27,808,872	36,406,922	64,215,794	26,803,247	36,389,100	63,192,347
Deferred Outflows of Resources	3,047,733	906,381	3,954,114	3,949,837	1,627,254	5,577,091
Liabilities:						
Current Liabilities	712,566	328,703	1,041,269	961,147	760,678	1,721,825
Long-term Liabilities:						
Due Within One Year	748,785	1,079,856	1,828,641	687,430	1,084,920	1,772,350
Due in More Than One Year:						
Net Pension Liability	10,325,344	2,464,355	12,789,699	12,782,449	3,662,466	16,444,915
Net OPEB Liability	8,627,954	1,624,750	10,252,704	7,789,608	1,544,787	9,334,395
Other Amounts Due in More Than One Year	2,471,024	15,291,404	17,762,428	2,859,282	16,191,074	19,050,356
Total Liabilities	22,885,673	20,789,068	43,674,741	25,079,916	23,243,925	48,323,841
Deferred Inflows of Resources	4,113,622	790,527	4,904,149	2,233,221	67,759	2,300,980
Net Position:						
Net Investment in Capital Assets	14,640,815	14,744,552	29,385,367	14,369,672	15,003,242	29,372,914
Restricted	2,164,114	897,293	3,061,407	1,919,222	968,509	2,887,731
Unrestricted	(12,947,619)	91,863	(12,855,756)	(12,848,947)	(1,267,081)	(14,116,028)
Total Net Position	$ 3,857,310	15,733,708	19,591,018	3,439,947	14,704,670	18,144,617

The net pension liability (NPL) reported by the City as of 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 the net pension asset and 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 systems 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 (asset) 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 pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of 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 pension 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 pension 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 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, not accounted for as deferred inflows or deferred 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 had the effect of restating net position at December 31, 2017, from $11,184,082 to $3,439,947 for governmental activities and from $16,228,268 to $14,704,670 for business-type activities.

The amount by which the City's assets and deferred outflows exceeded its liabilities and deferred inflows is called net position. As of December 31, 2018, the City's net position was $19.6 million. Of this amount, $29.4 million was invested in capital assets and $3.0 million was subject to external restrictions for its use. At December 31, 2018, the City reported a deficit unrestricted balance of $12.9 million due to the recognition of the net pension and OPEB liabilities as discussed above.

In total, net position of the City increased by $1.4 million. The governmental activities increased by $.4 million and business-type activities increase by $1.0 million during 2018. Although governmental activities revenue decreased $849,321 from 2017 due to reduced funding from ODOT, OWPC and JobsOhio, the City was able to continue to keep expenses consistent with the prior year.

The increase in the business-type activities was due to rate increases in the Water and Waste Funds combined with an increase in business usage resulting in an increase in total revenues of $741,182 or 7.6%.

The following table provides a summary of the City's changes in net position for 2018 as compared to 2017.

Table 2
Change in Net Position, December 31,

	2018			2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	$ 3,186,509	10,005,449	13,191,958	2,980,849	9,107,607	12,088,456
Operating Grants and Contributions	1,599,246	-	1,599,246	1,991,000	-	1,991,000
Capital Grants and Contributions	173,330	75,728	249,058	1,182,044	236,359	1,418,403
General Revenues:						
Property Taxes	1,990,780	-	1,990,780	1,903,561	-	1,903,561
Service Payments	224,792	-	224,792	231,682	-	231,682
Municipal Income Taxes	8,267,995	-	8,267,995	7,877,326	-	7,877,326
Other Local Taxes	157,181	-	157,181	154,007	-	154,007
Grants and Contributions not Restricted	350,018	-	350,018	403,337	-	403,337
Investment Income	77,110	93,085	170,195	45,651	65,636	111,287
Other Revenue	704,025	349,693	1,053,718	810,850	373,171	1,184,021
Total Revenue	16,730,986	10,523,955	27,254,941	17,580,307	9,782,773	27,363,080
Expenses:						
General Government	5,970,604	-	5,970,604	5,980,242	-	5,980,242
Security of Persons & Property	6,215,274	-	6,215,274	5,810,457	-	5,810,457
Public Health and Welfare Services	780,945	-	780,945	989,751	-	989,751
Leisure Time Activities	652,644	-	652,644	586,422	-	586,422
Transportation	2,655,191	-	2,655,191	2,810,763	-	2,810,763
Water	-	4,047,488	4,047,488	-	4,233,710	4,233,710
Sewer	-	2,940,878	2,940,878	-	3,662,682	3,662,682
Waste	-	2,467,942	2,467,942	-	2,705,625	2,705,625
Interest and Bond Issuance Expenses	77,574	-	77,574	153,618	-	153,618
Total Expenses	16,352,232	9,456,308	25,808,540	16,331,253	10,602,017	26,933,270
Transfers	38,609	(38,609)	-	40,417	(40,417)	-
Increase (Decrease) in Net Position	417,363	1,029,038	1,446,401	1,289,471	(859,661)	429,810
Net Position, Begininng of Year - Restated	3,439,947	14,704,670	18,144,617	N/A	N/A	N/A
Net Position, End of Year	$ 3,857,310	15,733,708	19,591,018	3,439,947	14,704,670	18,144,617

Governmental Activities

The three functions with the largest expenditures are General Government, Security of Persons and Property and Transportation. General Government includes all administrative activities, City Council, Municipal Court, and facility maintenance. This function costs taxpayers $4.2 million after program revenue is accounted for. Security of Persons and Property includes Police, Fire, and Emergency Medical Services. In addition to the revenue received for charges for services, which are those fees paid by the neighboring townships for fire and ambulance service, those funds receive property tax revenues which are used to help support each of the programs. With those departments receiving over $938 thousand in property tax revenues, we see the remaining 65.5% is paid by income taxes, general subsidies and other general revenues. The third function, Transportation, covers the roads and streets of the City, which reported net expense for 2018 of $1.2 million as grant revenue decreased 48.6% in the current year compared to the prior year. As indicated in Table 3, total governmental expenses remained consistent with those reported in the prior year.

The $10.3 million in income and property taxes reported for the year is $.5 million more than the amount reported for 2017 as City continues to see the impact of improved economic conditions in and around the City.

Business-Type Activities

Overall, the City's business-type activities generated $10.5 million of revenues, which represents a 7.6% increase over the prior year. In the current year, the Water, Sewer and Waste Funds reported increases in net position of $412,825, $336,646 and $279,567, respectively. As discussed earlier, each enterprise fund reported increases in total revenues compared to the prior year. Additionally, each fund also experienced a decrease in total expenses as significant repairs to the City's various water and sewer lines were completed in the prior year.

Table 3
Total and Cost of Program Services

		2018		2017	
		Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
GOVERNMENTAL ACTIVITIES:					
General Government	$	5,970,604	(4,237,911)	5,980,242	(4,466,129)
Security of Persons & Property		6,215,274	(5,011,728)	5,810,457	(4,482,790)
Public Health & Welfare Services		780,945	(380,587)	989,751	(537,701)
Leisure Time Activities		652,644	(489,353)	586,422	(244,981)
Transportation		2,655,191	(1,195,994)	2,810,763	(292,141)
Interest Expense		77,574	(77,574)	153,618	(153,618)
Total	$	16,352,232	(11,393,147)	16,331,253	(10,177,360)
BUSINESS-TYPE ACTIVITIES:					
Water	$	4,047,488	325,468	4,233,710	(532,759)
Sewer		2,940,878	39,340	3,662,682	(798,615)
Waste		2,467,942	260,061	2,705,625	73,323
Total	$	9,456,308	624,869	10,602,017	(1,258,051)

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlement grants.

THE CITY'S FUNDS

The financial statements for the City's major governmental funds are presented after the statement of activities. These funds are reported using a modified accrual basis of accounting. Total governmental fund balances are $7.6 million, of which $3.9 million is unassigned. The total governmental funds balance of all governmental funds increased by $1.2 million during 2018.

The General Fund balance increased by $0.6 million; compared to the $1.0 million increase in fund balance reported for 2017. Total revenues reported for 2018 were $0.7 million more than those of the prior year due primarily to the increase reported in municipal income. This increase can be attributed to the improved economic conditions in and around the City. Total expenditures reported by the General Fund increased $0.4 million with those reported for 2017 due to an increase in personnel related costs.

The fund balances reported in the Taxi Fund increased by $93,096 from the balances reported one-year prior due a decrease in capital purchases during year as well as increased support from the General Fund.

The fund balance reported in the Police Fund increased by $94,613 from the balances reported one-year prior as the City transferred in additional funds during the year to support operations.

Total governmental fund revenues showed a decrease from 2017 of $0.7 million or 4.1%. This was primarily due to decrease in grant funding from various federal and state agencies during year.

Explanation of the changes in the major enterprise funds of the City follow the same explanation as those provided in the assessment of the business-type activities noted above since enterprise funds are accounted for using full accrual accounting, the same basis used in the City-wide statements.

General Fund Budgeting Highlights

The General Fund's final budgeted revenues were $14.2 million and actual revenues were $14.9 million for the year. The revenue estimates included in the City's final budget documents were the same as the original budget for 2018.

Final budgeted amounts for expenditures and other financing uses were $15.3 million while actual budgetary expenditures and other financing uses amounted to $13.9 million. Although the City has realized the effect of the voter-approved income tax rate increase that became effective January 1, 2017, management continues its effort to limit expenditures while providing the necessary services to the City residents.

The budgetary fund balance for the General Fund at December 31, 2018 was $4.2 million; a $1.3 million increase from the amount reported one year prior. The ending budgetary fund balance amount at year end represents 30.4% of the total budgetary expenditures and transfers out reported for 2018.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 4
Capital Assets

		2018			2017		
		Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	$	3,482,281	2,431,007	5,913,288	3,423,468	2,431,007	5,854,475
Infrastructure		5,480,443	7,952,940	13,433,383	5,480,443	7,952,940	13,433,383
Buildings		8,962,449	19,488,314	28,450,763	8,962,449	19,488,314	28,450,763
Improvements		532,287	20,497,475	21,029,762	532,287	20,497,475	21,029,762
Equipment		3,876,348	8,328,842	12,205,190	3,633,665	8,016,004	11,649,669
Vehicles		6,912,446	2,628,006	9,540,452	6,772,966	2,603,253	9,376,219
Office Furniture and Fixtures		25,053	-	25,053	25,053	-	25,053
Less:							
Accumulated Depreciation		(12,879,125)	(34,954,516)	(47,833,641)	(12,301,528)	(33,328,269)	(45,629,797)
Totals	$	16,392,182	26,372,068	42,764,250	16,528,803	27,660,724	44,189,527

The City's investment in capital assets for governmental and business-type activities as of December 31, 2018, amounts to $42.8 million (net of accumulated depreciation). This investment in capital assets includes: land; buildings; improvements; machinery and equipment; infrastructure and vehicles. During the year, total capital assets, net of accumulated depreciation, decreased by $1.4 million or 3.2%. Governmental activity capital assets, net of accumulated depreciation, reflect a net decrease during the year of $0.1 million. Depreciation expense for the year totaled $895,095. Capital assets, net of accumulated depreciation in the business-type activities decreased $1.3 million as a result of the depreciation expense recognized exceeding the cost of assets acquired during the year. See Note 8 to the basic financial statements for additional details on capital assets.

Debt Administration

At December 31, 2018, the City had total bonded debt in the amount of $11.4 million, of which $1.3 million is due within one year. Of the total bonded debt amount, $1.4 million is general obligation debt backed by the full faith and credit of the City, with the remaining $9.7 million being mortgage revenue bonds for waterworks improvements and $250 thousand for bond anticipation notes. The City also has outstanding amounts due the Ohio Police and Fire Pension Fund of $75,760.

Under current state statutes, the City's general obligation bonded debt issuances are subject to a legal limitation based on 10 1/2 percent of total assessed value of real and personal property.

See Note 12 to the basic financial statements for additional details on the long-term debt of the City.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the revenues it receives. If you have any questions regarding this report or need additional information, contact City Auditor, City of Wilmington, 69 North South Street, Wilmington, Ohio 45177.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	$ 6,740,562	$ 8,171,610	$ 14,912,172
Receivables			
Taxes	3,542,587	-	3,542,587
Accounts	137,037	829,523	966,560
Loans Receivable	634,749	-	634,749
Due from Other Governments	498,183	-	498,183
Interfund Balance	(136,428)	136,428	-
Restricted Assets:			
Cash and Cash Equivalents	-	897,293	897,293
Capital Assets:			
Capital Assets not subject to depreciation			
Land	3,482,281	2,431,007	5,913,288
Capital Assets, net of accumulated depreciation	12,909,901	23,941,061	36,850,962
Total Assets	27,808,872	36,406,922	64,215,794
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions/OPEB	3,041,047	733,709	3,774,756
Deferred Amount on Refunding	6,686	172,672	179,358
Total Deferred Outflows of Resources	3,047,733	906,381	3,954,114
LIABILITIES:			
Accounts Payable	222,163	194,632	416,795
Accrued Wages and Benefits	204,693	76,584	281,277
Insurance Claims Payable	253,600	-	253,600
Accrued Interest Payable	32,110	57,487	89,597
Noncurrent Liabilities:			
Due Within One Year	748,785	1,079,856	1,828,641
Due In More than One Year			
Net Pension Liability	10,325,344	2,464,355	12,789,699
Net OPEB Liability	8,627,954	1,624,750	10,252,704
Other Amounts Due in More Than One Year	2,471,024	15,291,404	17,762,428
Total Liabilities	22,885,673	20,789,068	43,674,741
DEFERRED INFLOWS OF RESOURCES:			
Pensions/OPEB	2,212,761	790,527	3,003,288
Property Taxes	1,676,069	-	1,676,069
Tax Increment Financing	224,792	-	224,792
Total Deferred Inflows of Resources	4,113,622	790,527	4,904,149
NET POSITION:			
Net Investment in Capital Assets	14,640,815	14,744,552	29,385,367
Restricted for:			
Utility Debt Service	-	897,293	897,293
Social Services	33,309	-	33,309
Public Safety	809,890	-	809,890
Road Construction / Public Works	608,850	-	608,850
Leisure Activities	402,527	-	402,527
Public Health and Wellfare Services	274,538	-	274,538
Perpetual Care:			
Nonexpendable	35,000	-	35,000
Unrestricted	(12,947,619)	91,863	(12,855,756)
Total Net Position	$ 3,857,310	$ 15,733,708	$ 19,591,018

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Activities
For the Year Ended December 31, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	$ 5,970,604	$ 1,732,693	$ -	$ -	$ (4,237,911)		$ (4,237,911)
Security of Persons & Property	6,215,274	993,259	210,287	-	(5,011,728)		(5,011,728)
Public Health & Welfare Services	780,945	124,475	275,883	-	(380,587)		(380,587)
Leisure Time Activities	652,644	-	23,359	139,932	(489,353)		(489,353)
Transportation	2,655,191	336,082	1,089,717	33,398	(1,195,994)		(1,195,994)
Debt Service							
Interest	77,574	-	-	-	(77,574)		(77,574)
Total Governmental Activities	16,352,232	3,186,509	1,599,246	173,330	(11,393,147)		(11,393,147)
Business-Type Activities:							
Water	4,047,488	4,310,869	-	62,087		325,468	325,468
Sewer	2,940,878	2,980,218	-	-		39,340	39,340
Waste	2,467,942	2,714,362	-	13,641		260,061	260,061
Total Business-Type Activities	9,456,308	10,005,449	-	75,728		624,869	624,869
Total	$ 25,808,540	$ 13,191,958	$ 1,599,246	$ 249,058	(11,393,147)	624,869	(10,768,278)
General Revenues:							
Municipal Income Taxes, Levied for:							
General Purposes					8,267,995	-	8,267,995
Other Local Taxes					157,181	-	157,181
Property Taxes Levied for:							
General Purposes					436,700	-	436,700
Security of Persons & Property					938,823	-	938,823
Street Lighting					178,467	-	178,467
Leisure Time Activities					436,790	-	436,790
Service Payments					224,792	-	224,792
Grants and Contributions not Restricted to Specific Programs					350,018	-	350,018
Investment Earnings					77,110	93,085	170,195
Miscellaneous					668,079	349,693	1,017,772
Gain on sale of capital assets					35,946	-	35,946
Transfers					38,609	(38,609)	-
Total					11,810,510	404,169	12,214,679
Change in Net Position					417,363	1,029,038	1,446,401
Net Position, Beginning of Year - Restated					3,439,947	14,704,670	18,144,617
Net Position, End of Year					$ 3,857,310	$ 15,733,708	$ 19,591,018

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Balance Sheet
Governmental Funds
December 31, 2018

	General Fund	Taxi Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	$ 4,241,435	$ 76,195	$ 11,708	$ 2,411,224	$ 6,740,562
Receivables:					
Taxes	1,960,320	-	279,784	1,302,483	3,542,587
Accounts	115,856	-	79	21,102	137,037
Loans Receivable	-	-	-	634,749	634,749
Due from Other Funds	-	13,177	62,404	79,148	154,729
Due from Other Governments	160,579	56,752	11,001	269,851	498,183
Total Assets	$ 6,478,190	$ 146,124	$ 364,976	$ 4,718,557	$ 11,707,847
LIABILITIES:					
Accounts Payable	$ 64,813	$ 27,882	$ 9,764	$ 119,704	$ 222,163
Accrued Wages and Benefits	60,553	27,323	34,341	82,476	204,693
Insurance Claims Payable	253,600	-	-	-	253,600
Due to Other Funds	291,157	-	-	-	291,157
Total Liabilities	670,123	55,205	44,105	202,180	971,613
DEFERRED INFLOWS OF RESOURCES:					
Property Taxes	422,205	-	258,282	995,582	1,676,069
Tax Increment Financing	-	-	-	224,792	224,792
Unavailable Resources for:					
Municipal Income Taxes	731,067	-	-	-	731,067
Delinquent Property Taxes	37,805	-	21,502	82,109	141,416
Intergovernmental	170,217	-	11,001	184,103	365,321
Total Deferred Inflows of Resources	1,361,294	-	290,785	1,486,586	3,138,665
FUND BALANCES:					
Nonspendable	2,873	-	-	35,000	37,873
Restricted for:					
Social Services	-	-	-	33,309	33,309
Public Safety	-	-	-	792,351	792,351
Road Construction / Public Works	-	90,919	-	474,972	565,891
Leisure Activities	-	-	-	371,779	371,779
Public Health and Wellfare Services	-	-	-	274,868	274,868
Committed to:	-				
Social Services	-	-	-	922,112	922,112
Leisure Activities	-	-	30,086	161,315	191,401
Assigned to:					
Self Insurance	400,011	-	-	-	400,011
Subsequent Appropriations	38,469	-	-	-	38,469
Other Purposes	29,013	-	-	-	29,013
Unassigned	3,976,407	-	-	(35,915)	3,940,492
Total Fund Balances	4,446,773	90,919	30,086	3,029,791	7,597,569
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 6,478,190	$ 146,124	$ 364,976	$ 4,718,557	$ 11,707,847

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2018

Total Governmental Fund Balances		$ 7,597,569
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.		16,392,182
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.		1,237,804
The deferred loss on refunding does not represent a use of current resources and therefore it is not reported in the funds		6,686
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 the governmental funds:		
Deferred Outflows - Pension	2,249,393	
Deferred Inflows - Pension	(1,671,662)	
Net Pension Liability	(10,325,344)	
Deferred Outflows - OPEB	791,654	
Deferred Inflows - OPEB	(541,099)	
Net OPEB Liability	(8,627,954)	(18,125,012)
Other long-term liabilities not due and payable in the current period and therefore are not reported in the funds:		
Note Payable	(653,372)	
Capital Lease Payable	(261,817)	
Accrued Interest on Long-Term Debt	(32,110)	
Police and Fire Pension Obligations	(75,760)	
General Obligation Bonds Payable	(1,440,000)	
Bond Premium	(56,236)	
Compensated Absences	(732,624)	(3,251,919)
Net Position of Governmental Activities		$ 3,857,310

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General Fund	Taxi Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Property Taxes	$ 439,350	$ -	$ 245,169	$ 1,519,188	$ 2,203,707
Municipal Income Taxes	8,050,301	-	-	-	8,050,301
Intergovernmental	349,961	708,657	23,661	1,090,291	2,172,570
Charges for Services	1,221,813	336,082	-	144,154	1,702,049
Licenses and Permits	411,509	-	-	-	411,509
Fees, Fines and Forfeitures	649,206	-	1,103	332,229	982,538
Special Assessments	68,297	-	-	178,467	246,764
Investment Income	75,821	-	-	1,289	77,110
Other Revenue	436,652	52,769	67,724	139,177	696,322
Total Revenues	11,702,910	1,097,508	337,657	3,404,795	16,542,870
EXPENDITURES:					
Current:					
General Government	5,307,452	-	-	260,637	5,568,089
Security of Persons & Property	477,636	-	2,236,463	2,393,220	5,107,319
Transportation	-	1,344,412	-	830,148	2,174,560
Public Health & Welfare Services	-	-	-	764,885	764,885
Leisure Time Activities	-	-	-	529,810	529,810
Capital Outlay	67,464	-	35,381	691,267	794,112
Debt Service:					
Principal	102,080	-	-	616,171	718,251
Interest	21,044	-	-	82,219	103,263
Total Expenditures	5,975,676	1,344,412	2,271,844	6,168,357	15,760,289
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	5,727,234	(246,904)	(1,934,187)	(2,763,562)	782,581
OTHER FINANCING SOURCES (USES):					
Inception of a Capital Lease	-	-	-	360,864	360,864
Transfers In	38,610	340,000	2,028,800	2,763,517	5,170,927
Transfers Out	(5,132,318)	-	-	-	(5,132,318)
Total Other Financing Sources (Uses):	(5,093,708)	340,000	2,028,800	3,124,381	399,473
Net Change in Fund Balance	633,526	93,096	94,613	360,819	1,182,054
Fund Balance, Beginning of Year	3,813,247	(2,177)	(64,527)	2,668,972	6,415,515
Fund Balance (Deficit), End of Year	$ 4,446,773	$ 90,919	$ 30,086	$ 3,029,791	$ 7,597,569

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
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

Total Change in Fund Balances - Governmental Funds		$ 1,182,054
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 costs of those assets is allocated over their estimated useful lives as depreciation expense. Also, donated capital assets are not reported in the governmental funds as they do not provide current financial resources, however, donated capital assets are reported in the statement of net position and as capital contributions in the statement of activities. The amounts for the current period are:		
Capital Outlay	794,112	
Depreciation	(895,095)	(100,983)
In the statement of activities, a gain or loss on the disposition of capital assets is reported whereas in the governmental funds, the proceeds received from disposition of capital assets increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of capital assets disposed of.		(35,638)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues on the funds:		
Property Taxes	(9,421)	
Income Taxes	223,162	
Intergovernmental Revenue	10,013	223,754
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		1,004,973
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability/OPEB liability are reported as pension/OPEB expense in the statement of activities.		(2,188,300)
Issuance of long term debt is an other financing source in the governmental funds, but in the statement of net position the issuance increases long term liabilities:		
Capital Lease		(360,864)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		718,251
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	(51,573)	
Accrued Interest Payable	7,106	
Amortization of Deferred Amount on Refunding	(2,506)	
Amortization of Bond Premium	21,089	(25,884)
Change in Net Position of Governmental Activities		$ 417,363

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Balance Sheet
Enterprise Funds
December 31, 2018

	Water Fund	Sewer Fund	Waste Fund	Total
ASSETS:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	$ 2,486,808	$ 5,063,973	$ 620,829	$ 8,171,610
Accounts Receivable	343,967	253,588	231,968	829,523
Due from Other Funds	48,404	41,999	46,025	136,428
Restricted Assets:				
Cash and Cash Equivalents	897,153	140	-	897,293
Total Current Assets	3,776,332	5,359,700	898,822	10,034,854
Noncurrent Assets:				
Land	659,657	1,057,709	713,641	2,431,007
Capital Assets, net of accumulated depreciation	15,312,700	6,807,882	1,820,479	23,941,061
Total Noncurrent Assets	15,972,357	7,865,591	2,534,120	26,372,068
Total Assets	19,748,689	13,225,291	3,432,942	36,406,922
DEFERRED OUTFLOWS OF RESOURCES:				
Pensions/OPEB	218,296	269,683	245,730	733,709
Deferred Amount on Refunding	172,672	-	-	172,672
Total Deferred Outflows of Resources	390,968	269,683	245,730	906,381
Total Assets and Deferred Outflows of Resources	$ 20,139,657	$ 13,494,974	$ 3,678,672	$ 37,313,303
LIABILITIES:				
Current Liabilities:				
Accounts Payable	$ 68,432	$ 61,493	$ 64,707	$ 194,632
Accrued Wages and Benefits	29,933	26,395	20,256	76,584
Accrued Compensated Absences	27,998	36,396	26,284	90,678
Accrued Interest Payable	29,095	18,364	10,028	57,487
Long-Term Notes Payable - current	-	57,295	250,000	307,295
Capital Lease Payable - current	-	-	136,883	136,883
Mortgage Revenue Bonds Payable - current	545,000	-	-	545,000
Total Current Liabilities	700,458	199,943	508,158	1,408,559
Noncurrent Liabilities:				
Accrued Compensated Absences	83,993	109,189	78,852	272,034
Postclosure Care	-	-	4,208,360	4,208,360
Notes Payable	-	813,221	-	813,221
Capital Lease Payable	-	-	243,591	243,591
Mortgage Revenue Bonds Payable	9,145,000	-	-	9,145,000
Accrued Bond Premium	609,198	-	-	609,198
Net Pension Liability	752,521	889,977	821,857	2,464,355
Net OPEB Liability	541,846	582,902	500,002	1,624,750
Total Noncurrent Liabilities	11,132,558	2,395,289	5,852,662	19,380,509
Total Liabilities	11,833,016	2,595,232	6,360,820	20,789,068
DEFERRED INFLOWS OF RESOURCES:				
Pensions/OPEB	284,827	272,009	233,691	790,527
Total Deferred Inflows of Resources	284,827	272,009	233,691	790,527
Total Liabilities and Deferred Inflows of Resources	12,117,843	2,867,241	6,594,511	21,579,595
NET POSITION:				
Net Investment in Capital Assets	5,845,831	6,995,075	1,903,646	14,744,552
Restricted for:				
Utility Debt Service	897,153	140	-	897,293
Unrestricted	1,278,830	3,632,518	(4,819,485)	91,863
Total Net Position	8,021,814	10,627,733	(2,915,839)	15,733,708
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 20,139,657	$ 13,494,974	$ 3,678,672	$ 37,313,303

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Revenues, Expenses and
Changes in Net Position
Enterprise Funds
For the Year Ended December 31, 2018

	Water Fund	Sewer Fund	Waste Fund	Total
OPERATING REVENUES:				
Charges for Services	$ 4,310,869	$ 2,980,218	$ 2,714,362	$ 10,005,449
Other Revenue	76,563	249,598	23,532	349,693
Total Operating Revenues	4,387,432	3,229,816	2,737,894	10,355,142
OPERATING EXPENSES:				
Personal Services	1,359,177	1,289,630	1,151,855	3,800,662
Contractual Services	1,359,136	536,081	868,119	2,763,336
Materials and Supplies	371,487	316,286	88,327	776,100
Depreciation	634,496	763,566	237,507	1,635,569
Closure and Postclosure Care	-	-	93,708	93,708
Total Operating Expenses	3,724,296	2,905,563	2,439,516	9,069,375
Operating Income	663,136	324,253	298,378	1,285,767
NON-OPERATING REVENUE (EXPENSES):				
Intergovernmental	62,087	-	13,641	75,728
Investment Income	39,488	53,597	-	93,085
Interest and Fiscal Charges	(323,192)	(35,315)	(28,426)	(386,933)
Total Non-Operating Revenues (Expenses)	(221,617)	18,282	(14,785)	(218,120)
Income Before Transfers	441,519	342,535	283,593	1,067,647
Transfers-Out	(28,694)	(5,889)	(4,026)	(38,609)
Change in Net Position	412,825	336,646	279,567	1,029,038
Net Position, Beginning of Year - Restated	7,608,989	10,291,087	(3,195,406)	14,704,670
Net Position, End of Year	$ 8,021,814	$ 10,627,733	$ (2,915,839)	$ 15,733,708

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2018

	Water Fund	Sewer Fund	Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	$ 4,301,686	$ 2,996,565	$ 2,754,485	$ 10,052,736
Cash Paid for Employees Salaries and Benefits	(1,224,583)	(1,156,909)	(1,053,000)	(3,434,492)
Cash Paid to Suppliers	(1,833,726)	(888,699)	(994,128)	(3,716,553)
Other Operating Revenues	(4,591)	172,400	(57,692)	110,117
Net Cash Provided by Operating Activities	1,238,786	1,123,357	649,665	3,011,808
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers	(28,694)	(5,889)	(4,026)	(38,609)
Net Cash Provided by Noncapital Financing Activities	(28,694)	(5,889)	(4,026)	(38,609)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Grants	62,087	-	125,000	187,087
Capital Expenditures	(56,486)	(107,248)	(441,257)	(604,991)
Principal on Mortgage Revenue Bonds	(530,000)	-	-	(530,000)
Issuance of Bond Anticipation Note	-	-	250,000	250,000
Principal on Bond Anticipation Note	-	-	(500,000)	(500,000)
Principal on Note Payable	-	(54,991)	-	(54,991)
Principal on Capital Lease	-	-	(172,891)	(172,891)
Interest Paid	(346,601)	(36,475)	(31,874)	(414,950)
Net Cash Used by Capital and Related Financing Activities	(871,000)	(198,714)	(771,022)	(1,840,736)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment Income	39,488	53,597	-	93,085
Increase (Decrease) in Cash and Cash Equivalents	378,580	972,351	(125,383)	1,225,548
Equity in Pooled Cash and Cash Equivalents, Beginning of Year	3,005,381	4,091,762	746,212	7,843,355
Equity in Pooled Cash and Cash Equivalents, End of Year	$ 3,383,961	$ 5,064,113	$ 620,829	$ 9,068,903
Reconciliation of Equity in Pooled Cash and Cash Equivalents per Statement of Net Position to Cash and Cash Equivalents, End of Year, per Statement of Cash Flows:				
Equity in Pooled Cash and Cash Equivalents, per Statement of Net Position	$ 2,486,808	$ 5,063,973	$ 620,829	$ 8,171,610
Plus: Restricted Cash and Cash Equivalents	897,153	140	-	897,293
Cash and Cash Equivalents, End of Year, per Statement of Cash Flows	$ 3,383,961	$ 5,064,113	$ 620,829	$ 9,068,903

(Continued)

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2018
(Continued)

	Water Fund	Sewer Fund	Waste Fund	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income	$ 663,136	$ 324,253	$ 298,378	$ 1,285,767
Adjustment to Reconcile Operating Income Net Cash Provided by Operating Activities:				
Depreciation	634,496	763,566	237,507	1,635,569
Landfill Closure and Postclosure Costs	-	-	93,708	93,708
Change in Deferred Outflows of Resources - Pension/OPEB	253,422	239,335	205,074	697,831
Change in Deferred Inflows of Resources - Pension/OPEB	262,478	247,888	212,402	722,768
Changes in Assets and Liabilities:				
Accounts Receivable	(9,183)	16,347	40,123	47,287
Due from Other Funds	(48,404)	(41,999)	(46,025)	(136,428)
Accounts Payable	(103,103)	(36,332)	(37,682)	(177,117)
Accrued Wages & Benefits	4,634	3,347	1,172	9,153
Due to Other Funds	(32,750)	(35,199)	(35,199)	(103,148)
Accrued Compensated Absences	20,123	25,642	8,801	54,566
Net Pension Liability	(435,102)	(410,916)	(352,093)	(1,198,111)
Net OPEB Liability	29,039	27,425	23,499	79,963
Net Cash Provided by Operating Activities	$ 1,238,786	$ 1,123,357	$ 649,665	$ 3,011,808

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2018

ASSETS:	
Equity in Pooled Cash and Cash Equivalents	$ 149,846
Total Assets	$ 149,846
LIABILITIES:	
Undistributed Monies	$ 149,846
Total Liabilities	$ 149,846

See accompanying notes to the basic financial statements.

NOTE 1 – REPORTING ENTITY

The City of Wilmington (the "City") is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by constitutions and laws of the State of Ohio. Wilmington, the county seat, is the only City in Clinton County. It is the major commercial and marketing center in the primarily agricultural county. The City was incorporated into a Village in 1828 and was reorganized as a City in 1921 under the general plan of the General (now revised) Code of Ohio. The City operates under the council-mayor form of government.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are not misleading.

The primary government consists of all funds and departments that are not legally separate. They provide various services including police and fire protection, emergency medical service, parks and recreation, planning zoning, street maintenance and repair, community development, public health and welfare, water, sewer and refuse collection. The City Council has direct responsibility for these activities.

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 body 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 issuance of debt or the levying of taxes. The City currently has no component units.

The Clinton County Municipal Court has been included in the City's financial statements as an agency fund. The Clerk of Courts has a fiduciary responsibility for the collection and distribution of court fees and fines.

The Clinton County General Health District is a jointly governed organization that provides health services within the County. The Board of Health, which consists of a representative from each of the participating governments, oversees the operation of the District. The City does not have any financial interest in, or responsibility for, the Health District. The County Commissioners serve as the taxing authority, and the County Auditor and Treasurer serve as fiscal officers.

The Miami Valley Risk Management Association, Inc. (MVRMA, Inc.), also a jointly governed organization, was established as a joint self-insurance pool for the purpose of enabling subscribing political subdivisions to obtain liability insurance and provide for a formalized, jointly administered self-insurance fund for its members. The members formed a not-for-profit corporation known as MVRMA, Inc. for the purpose of administering the Pool. There are twenty-one subscribing member cities of the self-insurance pool, including the City of Wilmington. The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA and, accordingly, is not included in the financial reporting entity. See Note 14 for additional details.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Wilmington have been prepared in conformity with generally accepted accounting principles (GAAP) applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 that 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. Eliminations have been made to avoid doubling up revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities. 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 a 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. Revenues not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business-type activity 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 proprietary 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.

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 and deferred outflows of resources are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following are the City's major governmental funds:

General Fund – This fund is the operating fund of the City and is used to account 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 and the charter of the City.

Taxi Fund – The Taxi Fund is used to account for restricted grants received for general operations of public transportation for the City.

Police Fund – The Police Fund is used to account for restricted property taxes levied for general operations of the police department of the City.

The other governmental funds of the City account for grants and other resources whose use is restricted or committed to a particular purpose.

Proprietary Funds

The proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service; currently, the City has no internal service funds.

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 following are the City's major enterprise funds:

Water Fund – The water fund accounts for the provisions of water treatment and distribution to the residential and commercial users located within the City.

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

Waste Fund – The waste fund accounts for the collection and disposal of refuse 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. The City's only fiduciary fund is an agency fund used to account for municipal court collections that are distributed to various local governments. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources as well as all liabilities and deferred inflows of resources associated with the operations 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.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets 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 report the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations 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 funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the balance sheet. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transaction

Revenue 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 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. The available period for the City is sixty days after year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income tax, property tax, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the tax-imposed takes place and revenue from property tax is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations 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, 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.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: income tax, state-levied locally shared taxes (including local government assistance, gasoline tax and vehicle license tax), fines and forfeitures, and investment earnings.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained further in Notes 9 and 10.

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 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 fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the full accrual statement of net position. (See Notes 9 and 10)

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 recorded when the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization of certain accrued items, are not recognized in governmental funds.

Cash and Cash Equivalents

The provisions of the Ohio Revised Code restrict investment procedures. Cash balances of the City's funds, except cash held by a trustee or fiscal agent, are pooled for investment purposes.

The City also invested funds in the State Treasury Assets Reserves of Ohio (STAR Ohio) during fiscal year 2018. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2018. There are no limitations or restrictions on withdrawals from these investments due to redemption notice periods, liquidity fees, or redemption gates. STAROhio does require notice to be given 24 hours in advance for all deposits or withdrawals exceeding $25 million. STAROhio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the STAROhio investors will be combined for these purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to the investment in STAROhio, other investments held by the City at year end include U.S agency securities, certificates of deposit and money market funds. These investments are reported at fair value, which is based on quoted market prices. See Note 5 Deposits and Investments. For purposes of the statement of cash flows, the proprietary fund type's portion of pooled cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from these funds without prior notice or penalty.

Interfund Receivables and Payables

Receivables and payables resulting from transactions between funds for services provided or goods received are classified on the fund statements as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables". Noncurrent portion of long-term interfund loans receivables are reported as advances and in governmental funds are offset equally by an assignment of fund balance, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of two-thousand five-hundred dollars. 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 expended. Interest incurred during the construction of proprietary capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	Governmental Activities	Business-type Activities
Buildings	10-99 years	10-50 years
Improvements	4-20 years	5-50 years
Equipment	5-45 years	5-50 years
Vehicles	4-30 years	5-10 years
Infrastructure:		
Sewer and Water Lines	N/A	30-45 years
Other	60 years	N/A

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Vacation leave accumulated by employees is accrued as a liability as the benefits are earned when both of these conditions are met:

- The employees' rights to receive compensation are attributable to services already rendered.
- It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A liability for sick leave is accrued based on the vesting method states that the City will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments, determined to be all employees with ten years of service or more. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy.

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

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide 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.

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, laws of other governments, or are imposed law through constitutional provisions or enabling legislation.

Restricted assets in the enterprise funds represent cash and cash equivalents, as well as investments, set aside in separate depository accounts for the repayment of revenue mortgage debt.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

> Nonspendable – resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact.
>
> Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.
>
> Committed – resources that are constrained for specific purposes that are internally imposed by the government through an affirmative vote of its highest level of decision making authority, the City Council, an ordinance.
>
> Assigned – resources that are intended for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Auditor through the formal purchasing procedures.
>
> Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenditures for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The City applies restricted resources first when an expenditure is incurred for purposes which both restricted and unrestricted fund balance are available. The City considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Net Position

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

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 charged for services for water, sewer and the solid waste collection programs. Operating expenses are necessary costs incurred to provide goods or services that are the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plans. 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.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditure/expenses in the purchaser funds. Flows of cash or goods from one fund to another without requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and are eliminated in the Statement of Activities.

Repayment from funds responsible for particular expenditures/expenses to funds that initially paid for them are not presented on the financial statements.

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.

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

For 2018, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus* and Statement No. 75*, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*.

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

GASB Statement No. 75 establishes standards for measuring and recognizing postemployment benefits liabilities, deferred outflows of resources, deferred inflows of resources and expenses. The implementation of this pronouncement had the following effect on net position as reported December 31, 2018.

	Enterprise Funds			Business-Type	Governmental
	Water	Sewer	Waste	Activities	Activities
Net Position at December 31, 2017	$ 8,114,762	$ 10,838,945	$ (2,725,439)	$ 16,228,268	$ 11,184,082
Adjustments:					
Net OPEB Liability	(512,807)	(555,477)	(476,503)	(1,544,787)	(7,789,608)
Deferred Outflows - payments subsequent to measurement date	7,034	7,619	6,536	21,189	45,473
Net Position at December 31, 2017 as restated	$ 7,608,989	$ 10,291,087	$ (3,195,406)	$ 14,704,670	$ 3,439,947

NOTE 4 – ACCOUNTABILITY

At December 31, 2018 the following individual funds reported deficit fund balances: Chip Program Income ($37), Police Pension ($18,375) and Fire Pension ($17,503) Special Revenue Funds and Waste Proprietary Fund ($2,915,839).

The deficit fund balance in each of these funds occurred due to the recognition of current liabilities within the funds. None of the funds reported a deficit fund balance on the budgetary basis of accounting, which is the accounting method used by the City to record transactions throughout the year. The General Fund provides operating revenues through transfers and/or advances when funds are needed on the budgetary basis.

NOTE 5 – DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool used by all funds. Each of the activities' portion of this pool is displayed on the Statement of Net Position as "Equity in Pooled Cash and Cash Equivalents".

Statutes require the classification of funds held by the City into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts. Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories. Category 3 consists of "interim" funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. By Ohio law, financial institutions must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). Eligible securities must be pledged to the City and deposited with a qualified trustee as security for repayment whose market value at all time shall be at least 105% of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value to be 102% of the deposits being secured or a rate set by the Treasurer of State.

At year-end, the carrying amount of the City's deposits was $7,139,978 and the bank balance was $7,319,583. At December 31, 2018, $6,669,761 of the City's bank balance was exposed to custodial credit risk as discussed above.

Investments

The City's investments at December 31, 2018 were as follows:

			Investment Maturities (in Years)			
	Fair Value	Credit Rating	less than 1	1 to 3	3 to 5	Percentage of Portfolio
Money Market Funds	$ 899,630	N/A	$ 899,630	$ -	$ -	10.2%
Negotiable Certificates of Deposit	2,548,165	N/A	1,033,422	1,514,743	-	28.9%
STAROhio	1,500,000	AAAm	1,500,000	-	-	17.0%
Federal Home Loan Mortgage Corporation	1,683,729	AA+	-	1,683,729	-	19.1%
Federal Home Loan Bank	1,431,216	AA+	-	1,431,216	-	16.2%
Federal National Mortgage Association	756,593	AA+	-	756,593	-	8.6%
Total Investments	$ 8,819,333		$ 3,433,052	$ 5,386,281	$ -	100.0%

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Credit Risk – The City's investment policy restricts investments in obligations of the United States Treasury and Federal Agencies to direct obligations of the issuing entity. The City's policy requires commercial paper to have a credit rating in the highest classification established by at least two nationally recognized standard rating services and the aggregate value of the notes cannot exceed ten per cent of the outstanding commercial paper of the issuing corporation. Bankers acceptances are restricted to those insured by the federal deposit insurance corporation, are eligible for purchase by the Federal Reserve System and the obligations mature not later than one hundred eighty days after purchase. All negotiable certificates of deposit are covered by FDIC.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer.

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Reconciliation of Cash, Cash Equivalents and Investments

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

	Cash and Cash Equivalents/Deposits	Investments
Per Financial Statements	$ 15,959,311	-
Investments:		
Money Market Funds	(899,630)	899,630
Certificates of Deposit	(2,548,165)	2,548,165
STAROhio	(1,500,000)	1,500,000
US Government Agency Obligations	(3,871,538)	3,871,538
Per Footnote	$ 7,139,978	8,819,333

Fair Value Measurement

The City's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 — Investments reflect prices quoted in active markets.
Level 2 — Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
Level 3 — Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt, equities, and investment derivatives classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Mortgage and asset backed securities classified in Level 3, due to lack of an independent pricing source, are valued using an internal fair value as provided by the investment manager.

		Fair Value Measurements Using		
Investments by Fair Value Level	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Negotiable Certificates of Deposit	2,548,165	-	2,548,165	-
US Government Agency Obligations	3,871,538	3,871,538	-	-
Total Investments	$ 6,419,703	$ 3,871,538	$ 2,548,165	$ -

Investments classified in Level 2 of the fair value hierarchy are valued using pricing sources as provided by the investment managers. The City's investments in STAROhio and mutual funds are measured at amortized cost and therefore are not classified based on the hierarchy above.

NOTE 6 – RECEIVABLES

Receivables at December 31, 2018 consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, accrued interest on investments and accounts (billing for utility services and various other charges for services). No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

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 are 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 operations in the subsequent year. Real property taxes are payable annually or semi-annually. If paid annually, the payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

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

The full tax rate for all City operations for the year ended December 31, 2018 was $7.35 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2018 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	$	223,372,510
Public Utility Tangible Personal Property Assessed Valuation		7,580,460
Total	$	230,952,970

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Wilmington. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2018, and for which there is an enforceable legal claim.

In the governmental funds, the entire receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2018 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue.

Income Tax

The City levies a 1.5% (1.0% through 2016; 1.5% effective January 1, 2017) income tax on all salaries, wages, commissions and other compensation, and net profits earned within the City, as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of 100% of the tax to another municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The General Fund receives all income tax proceeds.

NOTE 6 – RECEIVABLES (Continued)

Due from Other Governments

A summary of intergovernmental receivables follows:

Governmental Activities:		
Local government assistance	$	140,610
Homestead/Rollback		71,964
Gasoline tax		215,025
Motor vehicle license fees		10,685
OPWC grant		3,147
Other grant		56,752
	$	498,183

NOTE 7 - INTERFUND ACTIVITY

Transfers are used to subsidize ongoing operations or functions of the recipient funds, as well as to pay scheduled debt service payments as they become due and are not intended to be repaid. Interfund transfers for the year ended December 31, 2018, consisted of the following:

	Transfer From				
Transfer To	General Fund	Water Fund	Sewer Fund	Waste Fund	Total
General Fund	$ -	$ 28,694	$ 5,889	$ 4,026	$ 38,609
Taxi Fund	340,000	-	-	-	340,000
Police Fund	2,028,800	-	-	-	2,028,800
Nonmajor Governmental Funds	2,763,518	-	-	-	2,763,518
Total	$ 5,132,318	$ 28,694	$ 5,889	$ 4,026	$ 5,170,927

Amounts due to one fund from another occurred during the year as the amounts paid from the City's various funds to the self-insurance program were not sufficient to cover the current year claims expense plus the year-end accrual for claims payable. A summary of the interfund due to and due from amounts as of December 31, 2018 is below:

	Due From
Due To	General Fund
Taxi Fund	$ 13,177
Police Fund	62,404
Water Fund	48,404
Sewer Fund	41,999
Waste Fund	46,025
Nonmajor Governmental Funds	79,148
Total	$ 291,157

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Governmental Activities:				
Non-depreciable capital assets:				
Land	$ 3,423,468	58,813	-	3,482,281
Depreciable capital assets:				
Buildings	8,962,449	-	-	8,962,449
Improvements	532,287	-	-	532,287
Equipment	3,633,665	411,830	(169,147)	3,876,348
Vehicles	6,772,966	323,469	(183,989)	6,912,446
Furniture & Fixtures	25,053	-	-	25,053
Infrastructure	5,480,443	-	-	5,480,443
Depreciable capital assets	25,406,863	735,299	(353,136)	25,789,026
Less: accumulated depreciation				
Buildings	(3,351,216)	(194,005)	-	(3,545,221)
Improvements	(335,717)	(18,572)	-	(354,289)
Equipment	(3,199,896)	(210,933)	167,089	(3,243,740)
Vehicles	(4,570,758)	(361,732)	150,409	(4,782,081)
Furniture & Fixtures	(25,053)	-	-	(25,053)
Infrastructure	(818,888)	(109,853)	-	(928,741)
Accumulated depreciation	(12,301,528)	(895,095) *	317,498	(12,879,125)
Depreciable capital assets, net	13,105,335	(159,796)	(35,638)	12,909,901
Governmental activities capital assets, net	$ 16,528,803	(100,983)	(35,638)	16,392,182

* - Depreciation expense was charged to governmental functions as follows:

General Government	$ 153,492
Security of Persons & Property	332,704
Leisure Time Activities	99,550
Transportation	300,917
Public Health & Welfare Services	8,432
	$ 895,095

NOTE 8 – CAPITAL ASSETS (Continued)

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Business-Type Activities:				
Non-depreciable capital assets:				
Land	$ 2,431,007	-	-	2,431,007
Non-depreciable capital assets	2,431,007	-	-	2,431,007
Depreciable capital assets:				
Buildings	19,488,314	-	-	19,488,314
Improvements	20,497,475	-	-	20,497,475
Infrastructure	7,952,940	-	-	7,952,940
Equipment	8,016,004	322,160	(9,322)	8,328,842
Vehicles	2,603,253	24,753	-	2,628,006
Depreciable capital assets	58,557,986	346,913	(9,322)	58,895,577
Less: accumulated depreciation				
Buildings	(6,599,562)	(401,993)	-	(7,001,555)
Improvements	(12,443,669)	(592,174)	-	(13,035,843)
Infrastructure	(6,833,745)	(126,236)	-	(6,959,981)
Equipment	(6,436,487)	(399,153)	9,322	(6,826,318)
Vehicles	(1,014,806)	(116,013)	-	(1,130,819)
Accumulated depreciation	(33,328,269)	(1,635,569)	9,322	(34,954,516)
Depreciable capital assets, net	25,229,717	(1,288,656)	-	23,941,061
Business-Type activities capital assets, net	$ 27,660,724	(1,288,656)	-	26,372,068

NOTE 9 – 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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

GASB Statement No. 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 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)

City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g., City employees) may elect the Member-Directed Plan and the Combined Plan, the majority of employee members are in OPERS' Traditional Plan; therefore, the following disclosures focus 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 (ORC). 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 Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

Funding Policy—The ORC provides statutory authority for member and employer contributions. For 2018, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution for pension was $781,763; $62,811 is reported within accrued wages and benefits payable.

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

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

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

	Police	Firefighters
2018 Statutory Maximum Contribution Rates:		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2018 Actual Contribution Rates:		
Employer:		
Pension	19.00%	23.50%
Post-employment Health Care Benefits	0.50%	0.50%
Total Employer	19.50%	24.00%
Employee	12.25%	12.25%

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $514,172 for 2018; $35,044 is reported in accrued wages and benefits payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred to fund their unfunded pension costs associated with police and fire services. As of December 31, 2018, the specific liability of the City is $75,760 payable in semi-annual payments through the year 2035.

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

The net pension liability for OPERS was measured as of December 31, 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	OP&F	Total
Proportionate share of the net pension liability	$ 6,245,040	$ 6,544,659	$ 12,789,699
Proportion of the net pension liability			
Current measurement date	0.039808%	0.106635%	
Prior measurement date	0.041101%	0.112278%	
Change in proportionate share	-0.001293%	-0.005643%	
Pension expense	$ 1,234,731	$ 786,995	$ 2,021,726

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	OPERS	OP&F	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 6,378	$ 99,321	$ 105,699
Change in assumptions	746,324	285,187	1,031,511
Change in City proportionate share and difference in employers contributions	3,555	426,306	429,861
City contributions subsequent to the measurement date	781,763	514,172	1,295,935
Total	$ 1,538,020	$ 1,324,986	$ 2,863,006
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ (123,070)	$ (11,838)	$ (134,908)
Net difference between projected and actual earnings on pension plan investments	(1,340,727)	(226,395)	(1,567,122)
Change in City proportionate share and difference in employers contributions	(196,295)	(418,198)	(614,493)
Total	$ (1,660,092)	$ (656,431)	$ (2,316,523)

$1,295,935 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:

	OPERS	OP&F	Total
Fiscal Year Ending December 31:			
2019	$ 437,576	$ 171,190	$ 608,766
2020	(200,101)	111,669	(88,432)
2021	(590,385)	(122,822)	(713,207)
2022	(550,925)	(41,825)	(592,750)
2023	-	31,192	31,192
Thereafter	-	4,979	4,979
	$ (903,835)	$ 154,383	$ (749,452)

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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Wage inflation	3.25 percent
Future salary increases, including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	
Pre-January 7, 2013 retirees	3.00%, simple
Post-January 7, 2013 retirees	3.00%, simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual Entry Age
Mortality tables	RP-2014

Mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

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

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 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%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit 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 represents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50%, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.50%) and one-percentage point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	$ 11,089,643	$ 6,245,040	$ 2,206,146

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017 and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determine amounts are subject to continual review and potential modifications, as actual results are compared with past experiences and new estimates are made about the future. Based on the experience study completed as of December 31, 2016, changes in demographic and economic actuarial assumptions were made.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the current and prior measurement dates are as follows:

Valuation Date	1/1/2017 with actuarial liabilities rolled forward to 12/31/2017	1/1/2016 with actuarial liabilities rolled forward to 12/31/2016
Actuarial Assumption Experience Study Date	5-year period ended 12/31/2017	5-year period ended 12/31/2011
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.00%	8.25%
Cost of Living Adjustments	3% simple; 2.2% simple for increases based on the lesser of the increase in CPI and 3%	3% simple; 2.6% simple for increases based on the lesser of the increase in CPI and 3%
Salary Increases	3.75% to 10.50%	4.25% to 11.00%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.5%	Inflation rate of 3.25% plus productivity increase rate of 0.5%

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

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

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017 are summarized below:

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

* - levered 2x

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 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 8.0%. 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 of 8.0%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (7.0%) or one-percentage point higher (9.0%) 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	$ 9,072,611	$ 6,544,659	$ 4,482,880

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT 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, health care cost trends 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 annual 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.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

GASB Statement No. 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 health care 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 contractually-required OPEB contributions outstanding at the end of the year is included in intergovernmental payables on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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 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 No. 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 statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate 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 and Combined plans was 1.0% 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% 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.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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 2017 was 4.0%.

For the year ended December 31, 2018, OPERS did not allocate any employer contributions to postemployment health care.

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 postemployment 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 premiums 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 OPEB as described in GASB Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB. 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 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% and 24.0% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% of covered payroll for fire employer units. Active members do not make contributions to the OPEB plan.

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 IRS Code Section 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 the employer contributions allocated to health care was 0.5% 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 Section 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.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

The City's contractually required contribution to OP&F was $12,324 for 2018; $836 is reported in accrued wages and benefits payable.,

OPEB Liabilities, OPEB Expense, and Deferred Outflows and 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 respective retirement systems relative to the contributions of all participating entities. The following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportionate share of the net OPEB liability	$ 4,210,926	$ 6,041,778	$ 10,252,704
Proportion of the net OPEB liability			
Current measurement date	0.038777%	0.106635%	
Prior measurement date	0.039650%	0.112278%	
Change in proportionate share	-0.000873%	-0.005643%	
OPEB expense	$ 326,641	$ 445,665	$ 772,306

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

	OPERS	OP&F	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 3,280	$ -	$ 3,280
Change in assumptions	306,599	589,547	896,146
City contributions subsequent to the measurement date	-	12,324	12,324
Total	$ 309,879	$ 601,871	$ 911,750
Deferred Inflows of Resources:			
Differences between expected and actual experience	-	(30,472)	(30,472)
Net difference between projected and actual earnings on OPEB plan investments	(313,684)	(39,768)	(353,452)
Change in City proportionate share and difference in employers contributions	(61,790)	(241,049)	(302,839)
Total	$ (375,474)	$ (311,289)	$ (686,763)

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

$12,324 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Fiscal Year Ending December 31:			
2019	$ 40,191	$ 36,553	$ 76,744
2020	40,191	36,553	76,744
2021	(67,556)	36,553	(31,003)
2022	(78,421)	36,553	(41,868)
2023	-	46,495	46,495
Thereafter	-	85,551	85,551
	$ (65,595)	$ 278,258	$ 212,663

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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 health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OBEB 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 Statement No. 74:

Wage inflation	3.25 percent
Future salary increases, including inflation	3.25% to 10.75%
Single discount rate:	
Current measurement date	3.85%
Prior measurement date	4.25%
Investment rate of return	6.50%
Municipal bond rate	3.31%
Health care cost trend rate	7.50% initial, 3.25% 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 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 tables.

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

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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

During 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% for 2017.

The allocation of investment assets within the Health Care portfolio is approved by the OPERS Board 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 benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the OPERS 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%
REITs	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% was used to measure the OPEB liability on the measurement date of December 31, 2017. 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% and a municipal bond rate of 3.31%. 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.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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%, as well as what the City's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0% point lower (2.85%) or 1.0% point higher (4.85%) 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	$ 5,594,533	$ 4,210,926	$ 3,091,787

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% lower or 1.0% 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%. 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% in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$ 4,029,056	$ 4,210,926	$ 4,399,000

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 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.

Projections of benefit for financial 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.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Key Methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented below:

Actuarial valuation date	1/1/2017, with acturial liabilities rolled forward to 12/31/2017
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increase	3.75% to 10.50%
Payroll growth	Inflation rate of 2.75%, plus productivity increase rate of 0.5%
Single discount rate:	
Current measurement date	3.24%
Prior measurement date	3.79%
Cost of living adjustments	3.0% simple; 2.2% simple for increase based on the lesser of the increases in CPI and 3.0%

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%.

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

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

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

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

The 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 OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as a baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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

* - levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate

Total OPEB liability was calculated using the discount rate of 3.24%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.0%. Based on those assumptions, OP&F's fiduciary net position was projected to be able to make all future benefit payment of current plan members through 2025. Therefore, a municipal bond rate of 3.16% at December 31, 2017 was blended with the long-term rate of 8.0%, which resulted in a blended discount rate of 3.24%. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade 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%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.24%) and 1% point higher (4.24%) than the current discount rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	$ 7,552,294	$ 6,041,778	$ 4,879,500

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate.

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%	-0.74%	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 health care cost trend current rates as outlined in the table above, a 1% decrease in the trend rates and a 1% increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	$ 4,693,361	$ 6,041,778	$ 7,858,985

Changes Subsequent to the Measurement 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 will be a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's net OPEB liability is not known.

NOTE 11 – OTHER EMPLOYEE BENEFITS

Compensated Absences

Each full-time employee is entitled, for each completed 80 hours of service, to four and six-tenths hours of sick leave. Fire personnel earn 6.4 hours of sick leave bi-weekly. Part-time employees accrue sick leave on a proportional basis to the hours paid each pay period. Sick leave accruals may be increased by no more than 15 days a year to a maximum of 1200 hours in "Sick Leave Bank II".

Upon qualifying for eligibility to receive retirement benefits, each full-time City employee shall be entitled to receive payment for sick leave accumulated in the amount to three-fourths the number of hours of such accumulated sick leave in "Sick Leave Bank I" and one-fourth the number of hours of such person's daily pay on the date of retirement. At December 31, 2018, the estimated total absences payable of the City was $1,095,336.

NOTE 12 – LONG-TERM OBLIGATIONS

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

	Restated Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds Payable	$ 1,895,000	$ -	$ 455,000	$ 1,440,000	$ 465,000
Accrued Bond Premium	77,325	-	21,089	56,236	-
Total General Obligation Bonds	1,972,325	-	476,089	1,496,236	465,000
Note Payable	755,452	-	102,080	653,372	99,634
Capital Leases Payable	58,998	360,864	158,045	261,817	97,008
Compensated Absences	681,051	83,883	32,310	732,624	83,883
Police and Fire Pension	78,886	-	3,126	75,760	3,260
Net Pension Liability:					
OPERS	5,670,874	-	1,890,188	3,780,686	
OP&F	7,111,575	-	566,917	6,544,658	-
Net OPEB Liability:					
OPERS	2,460,024	126,153	-	2,586,177	
OP&F	5,329,584	712,193	-	6,041,777	-
Total Governmental Activities	$ 24,118,769	$ 1,283,093	$ 3,228,755	$ 22,173,107	$ 748,785
Business-Type Activities:					
Mortgage Revenue Bonds Payable	$ 10,220,000	$ -	$ 530,000	$ 9,690,000	$ 545,000
Accrued Bond Premium	654,324	-	45,126	609,198	-
Total Mortgage Revenue Bonds	10,874,324	-	575,126	10,299,198	545,000
Note Payable	925,507	-	54,991	870,516	57,295
Bond Anticipation Notes	500,000	250,000	500,000	250,000	250,000
Capital Leases Payable	553,365	-	172,891	380,474	136,883
Estimated Liability for Landfill Closure and Postclosure Care	4,114,652	93,708	-	4,208,360	-
Compensated Absences	308,146	131,323	76,757	362,712	90,678
Net Pension Liability:					
OPERS	3,662,466	-	1,198,111	2,464,355	-
Net OPEB Liability:					
OPERS	1,544,787	79,963	-	1,624,750	-
Total Business-Type Activities	$ 22,483,247	$ 554,994	$ 2,577,876	$ 20,460,365	$ 1,079,856

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the government. The bonds will be retired from the debt service fund.

The City has one general obligation bond issue outstanding. All general obligation bonds have been issued for governmental activities. General obligation bonds currently outstanding are as follows:

Issue Year	Purpose	Interest Rate	Maturity Year	Issue Amount	Amount Outstanding at Year End
2013	Mun Bldg/Fire Refunding	2.0% to 4.0%	2021	$ 3,635,000	$ 1,440,000

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending December 31	Principal	Interest	Total
2019	$ 465,000	$ 57,600	$ 522,600
2020	475,000	39,000	514,000
2021	500,000	20,000	520,000
Total	$ 1,440,000	$ 116,600	$ 1,556,600

Bond Anticipation Notes

In June 2018, the City issued bond anticipation notes in the amount of $250,000 that provided funding to rollover a portion of the bond anticipation note originally issued in June 2017 for the amount attributable to the landfill. The principal balance will be paid in full in June 2019.

Mortgage Revenue Bonds

The City issues bonds where income generated by the operation benefiting from the bonds pays the annual debt service requirements. All revenue bonds are for business-type activities and outstanding revenue bonds at December 31, 2018 are as follows:

Issue Year	Purpose	Interest Rate	Maturity Year	Issue Amount	Outstanding at Year End
2017	Waterworks System Revenue Bonds	2.00% to 4.00%	2032	$ 10,485,000	$ 9,690,000

The City has pledged future water revenue, net of specified operating expenses, to repay the above noted mortgage revenue bonds. These bonds are payable solely from net water revenues. Total principal and interest paid during 2018 for the Water mortgage revenue bonds was $892,388 compared with net revenue of $1,297,632.

Annual debt service requirements to maturity for the mortgage revenue bonds are as follows:

Year Ending December 31	Principal	Interest	Total
2019	$ 545,000	$ 346,438	$ 891,438
2020	565,000	329,938	894,938
2021	580,000	312,838	892,838
2022	595,000	295,388	890,388
2023	615,000	274,338	889,338
2024-2028	3,485,000	976,988	4,461,988
2029-2032	3,305,000	260,856	3,565,856
Total	$ 9,690,000	$ 2,796,784	$ 12,486,784

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

OWDA Loan Payable

The City has a long-term loan outstanding with the Ohio Water Development Authority (OWDA). This loan was used to finance improvements of the City's sewer system infrastructure. The loan has a 4.15 percent interest rate and matures in 2030. The following is the annual debt service requirements to maturity, which is to be repaid through receipts collected in the Sewer fund:

Year Ending December 31	Principal	Interest	Total
2019	$ 57,296	$ 35,538	$ 92,834
2020	59,699	33,136	92,835
2021	62,202	30,632	92,834
2022	64,810	28,024	92,834
2023	67,528	25,307	92,835
2024-2028	382,560	81,611	464,171
2029-2030	176,421	9,246	185,667
Total	$ 870,516	$ 243,494	$ 1,114,010

Police and Fire Pension Liability

The police and fire pension obligation payable was entered into in 1997, with a total principal amount financed of $121,574. These obligations were offered to assist governments throughout the State of Ohio to fund their unfunded pension costs associated with police and fire service. This obligation is being repaid by the police and fire pension funds through the use of local property tax revenues where the proceeds are to be used to pay this pension obligation and is included within the governmental activities.

Annual debt service requirements to maturity for the police and fire pension liability are as follows:

Year Ending December 31	Principal	Interest	Total
2019	$ 3,260	$ 3,184	$ 6,444
2020	3,400	3,044	6,444
2021	3,546	2,898	6,444
2022	3,699	2,746	6,445
2023	3,884	2,560	6,444
2024-2028	21,921	10,303	32,224
2029-2033	27,051	5,173	32,224
2034-2035	8,999	380	9,379
Total	$ 75,760	$ 30,288	$ 106,048

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

Energy Conservation Improvement Note

The Energy Conservation Improvement Note was entered into in 2009, with a total principal amount financed of $1,353,708, maturing on October 1, 2024, with an interest rate of 5 percent. This note was issued for the purpose of funding energy conservation improvements to City buildings and facilities. During 2018, the City issued a replacement note reducing the interest rate from 5 percent to 3.5 percent effective January 1, 2018 through maturity on October 1, 2024.

Annual debt service requirements to maturity for the energy conservation improvement note is as follows.

Year Ending December 31	Principal	Interest	Total
2019	$ 99,634	$ 21,569	$ 121,203
2020	103,167	18,036	121,203
2021	106,825	14,378	121,203
2022	110,613	10,590	121,203
2023	114,536	6,667	121,203
2024	118,597	2,606	121,203
Total	$ 653,372	$ 73,846	$ 727,218

Capital Leases

The City has active capital leases for a wheel loader and a truck that are recorded in governmental activities. Both lease periods are for three with annual principal and interest payments. These assets were capitalized for $116,970 and $243,894, 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.

Year Ending December 31	
2019	$ 107,032
2020	107,032
2021	66,987
Total Minimum Lease Payments	281,051
Less: Amount Representing Interest	(19,234)
Present Value of Minimum Lease Payments	$ 261,817

The City has an active capital lease for a Volvo Truck that is recorded in business-type activities. The cost of the vehicle was capitalized for $235,000. The lease period is for a period of 66 months and semi-annual payments are required. Additionally, the City has an active capital lease for loader/carts. The cost of the equipment was capitalized for $481,983. The lease period is for five years and require annual principal and interest payments. The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments.

Year Ending December 31	
2019	$ 148,419
2020	148,419
2021	105,678
Total Minimum Lease Payments	402,516
Less: Amount Representing Interest	(22,042)
Present Value of Minimum Lease Payments	$ 380,474

NOTE 13 – SHORT-TERM OBLIGATIONS

A summary of the short-term note transactions for the year ended December 31, 2018 follows:

	Amount Outstanding 12/31/2017	Additions	Retirements	Amount Outstanding 12/31/2018
Governmental Activities:				
0.81% - 2017 Various Purpose General Obligation BAN	137,000	-	137,000	-
Total Governmental Activities	$ 137,000	$ -	$ 137,000	$ -

On July 14, 2017, the City issued $137,000 0.81% Bond Anticipation Notes (BAN) to refinance a previously issued BAN. The BAN issued during 2017 was a City issued note that was purchased by the City. In the prior year, this note was shown as Due From Other Funds that purchased the note and Due To Other Funds by the funds that received the note proceeds. This note was paid in full during 2018.

NOTE 14 – RISK MANAGEMENT

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. In 1992 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local entities. As of December 31, 2018, the pool has twenty-one members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty-one member board of trustees, consisting of a representative appointed by each of the member entities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an Executive Director, who is assisted by a Claims Manager, a full-time Loss Control Manager and professional office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

The individual MVRMA, Inc. members are not considered "participants having equity interest" since members have no rights to any assets of MVRMA, Inc. other than possible residual claims upon dissolution. The risk of loss is transferred from the City to the pool. Therefore, MVRMA, Inc. is a multi-jurisdictional arrangement that has the characteristics of a joint venture but has additional features that distinguish it, for financial reporting purposes, from the traditional joint venture.

The following is a summary of insurance coverage at year end:

General Liability	$ 12,000,000	per occurrence
Automobile	12,000,000	per occurrence
Police Professional Liability	12,000,000	per occurrence
Employment Practices & Public Officials Liability	12,000,000	Aggregate
Property	1,000,000,000	per occurrence
Flood (Zone specific)	25,000,000	per occurrence
Earthquake	25,000,000	per occurrence
Boiler & Machinery	100,000,000	per occurrence
Cyber Coverage	2,000,000	per occurrence
Pollution Liability	1,000,000	per condition

NOTE 14 – RISK MANAGEMENT (Continued)

The member deductible per occurrence for most types of claims is $2,500. The pool's self-insured retention (SIR) for property claims is $2,501 - $250,000 per occurrence. The SIR for Boiler and Machinery is $10,000 - $500,000 per occurrence. The SIR for Pollution Liability is $75,000 - $750,000 per pollution condition. The pool's SIR for liability claims is $1,000,000 per occurrence. Excess insurance coverage, provided by commercial companies and an excess insurance pool is $1,000,000 to the limits stated above. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. The MVRMA Board of Trustees has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims in a particular loss year. The City was not required to make any supplemental payments as of December 31, 2018.

MVRMA issues a stand-alone financial report that includes financial statements and required supplementary information for MVRMA, Inc. Interested parties may obtain a copy by making a written request to 4625 Presidential Way, Kettering, Ohio 45429-5706.

Workers' Compensation claims are covered under the State of Ohio Bureau of Workers' Compensation. The City participates in the Ohio Municipal League's Workers' Compensation Group Rating Program to benefit from the shared risk of a pooled group. The City pays the State Workers' Compensation System a premium based upon a rate per $100 of payroll. The rate is determined based on the group's accident history and administrative costs. The City also pays unemployment claims to the State of Ohio as incurred.

The City continues to carry commercial insurance for other risks of loss, including employee life insurance. There has been no significant reduction in insurance coverage from coverage in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Self-Insured Health Insurance

Beginning in 2009, the City provides health, dental and vision insurance coverage for its employees through a self-insurance plan administered by Anthem. Anthem provides claims review and processing services. This program is accounted for in the General Fund and is funded through premium contributions provided by the City as well as a portion from City employees. Program year runs from April 1 through March 31 of each year. Stop loss insurance is purchased through Anthem to cover loss in excess of $65,000 per subscriber or $3,321,449 in aggregate for the plan year ended March 31, 2019. The City expects that all claims will be settled within one year.

Changes in claims activity for employee health insurance benefits for the past two fiscal years are as follows:

Year	Beginning Balance	Current Year Claims	Current Year Claim Payments	Ending Balance
2018	$ 380,600	1,765,680	1,892,680	253,600
2017	$ 325,400	2,324,449	2,269,249	380,600

NOTE 15 – CONTINGENT LIABILITIES

Litigation

The City is a defendant in various lawsuits and subject to various claims over which litigation has not yet commenced. Although the outcomes of these matters is not presently determinable, in the opinion of management and the law director, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 15 – CONTINGENT LIABILITIES (Continued)

Grants

For the period January 1, 2018 to December 31, 2018, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could result to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be financially insignificant.

NOTE 16 - COMMITMENTS

Encumbrances

At December 31, 2018, the City had the following amounts encumbered for purchase obligations:

Fund	Year-End Encumbrances
General Fund	$ 17,097
Taxi Fund	37
Police Fund	11,467
Non-major Governmental Funds	138,502
Total	$ 167,103

NOTE 17 - LANDFILL CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require that the City place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City is required by generally accepted accounting principles to report a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The City is required by state and federal laws and regulations to prove financial assurance to finance closure and post-closure care. The $4,208,360 reported as landfill closure and post-closure care liability at December 31, 2018, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill prior to vertical expansion and the additional capacity gained by phase III of the vertical expansion. The sum of current final closure, post-closure and/or corrective measures cost estimates is $4,333,561. The Ohio Environmental Protection Agency has established certain rules applicable to the City, requiring that the permittee of a Solid Waste Disposal Facility ensure adequate funds will be available when needed for final closure and/or post-closure care of the facility. The City has elected to provide a letter from the Chief Financial Officer, as specified in paragraph (F) of Rule 3745-27-15 or in paragraph (F) of Rule 3745-27-16 of the Ohio Administrative Code as the mechanism to demonstrate the City's Financial Assurance as specified in Chapter 3745-27 of the Ohio Administrative Code.

NOTE 18 – SUBSEQUENT EVENTS

In January of 2019, the City entered into a master equipment lease/purchase agreement with FATHOM Water Management, Inc. for equipment related to the City’s waterworks system for $3,499,164.

Additionally, in May of 2019, the City issued bond anticipation notes in the amount of $650,000 to provide funding for landfill facility improvements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WILMINGTON
CLINTON COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

LAST FIVE YEARS (1) (2)

	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.041663%	$ 4,911,525	$ 4,926,883	99.69%	86.36%
2015	0.041663%	5,025,136	5,107,958	98.38%	86.45%
2016	0.042478%	7,357,807	5,315,675	138.42%	81.08%
2017	0.041101%	9,333,340	5,313,650	175.65%	77.25%
2018	0.039808%	6,245,040	5,261,038	118.70%	84.66%

(1) Information prior to 2014 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

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

NOTES TO SCHEDULE:

Changes in Assumptions:
In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

See accompanying notes to the required supplementary information.

CITY OF WILMINGTON
CLINTON COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
OHIO POLICE AND FIRE PENSION FUND

LAST FIVE YEARS (1) (2)

	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.107624%	$ 5,241,636	$ 2,500,867	209.59%	73.00%
2015	0.107624%	5,575,382	2,212,181	252.03%	71.71%
2016	0.101192%	6,509,754	2,341,055	278.07%	66.77%
2017	0.112278%	7,111,575	2,368,651	300.24%	68.36%
2018	0.106635%	6,544,659	2,438,706	268.37%	70.91%

(1) Information prior to 2014 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

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

NOTES TO SCHEDULE:

Changes in Assumptions:
In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2016. Significant changes included a reduction of the discount rate from 8.25% to 8.0%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

See accompanying notes to the required supplementary information.

CITY OF WILMINGTON
CLINTON COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

LAST SIX YEARS (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 591,226	$ (591,226)	$ -	$ 4,926,883	12.00%
2014	612,955	(612,955)	-	5,107,958	12.00%
2015	637,881	(637,881)	-	5,315,675	12.00%
2016	637,638	(637,638)	-	5,313,650	12.00%
2017	683,935	(683,935)	-	5,261,038	13.00%
2018	781,763	(781,763)	-	5,584,021	14.00%

(1) Information prior to 2013 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

See accompanying notes to the required supplementary information.

CITY OF WILMINGTON
CLINTON COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS
OHIO POLICE AND FIRE PENSION FUND

LAST SIX YEARS

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 427,148	$ (427,148)	$ -	$ 2,500,867	17.08%
2014	450,400	(450,400)	-	2,212,181	20.36%
2015	470,318	(470,318)	-	2,341,055	20.09%
2016	475,862	(475,862)	-	2,368,651	20.09%
2017	489,936	(489,936)	-	2,438,706	20.09%
2018	514,172	(514,172)	-	2,559,343	20.09%

(1) Information prior to 2013 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

See accompanying notes to the required supplementary information.

CITY OF WILMINGTON
CLINTON COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

LAST TWO YEARS (1) (2)

	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.0396502%	$ 4,004,811	$ 5,313,650	75.37%	54.05%
2018	0.0387773%	4,210,926	5,261,038	80.04%	54.14%

(1) Information prior to 2017 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

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

See accompanying notes to the required supplementary information.

CITY OF WILMINGTON
CLINTON COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
OHIO POLICE AND FIRE PENSION PLAN

LAST TWO YEARS (1) (2)

	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.1122780%	$ 5,329,584	$ 2,368,651	225.01%	15.96%
2018	0.1066348%	6,041,778	2,438,706	247.75%	14.13%

(1) Information prior to 2017 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

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

See accompanying notes to the required supplementary information.

CITY OF WILMINGTON
CLINTON COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

LAST FOUR YEARS (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 109,800	$ (109,800)	$ -	$ 5,315,675	2.07%
2016	109,579	(109,579)	-	5,313,650	2.06%
2017	54,931	(54,931)	-	5,261,038	1.00%
2018	-	-	-	5,584,021	0.00%

(1) Information prior to 2015 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

See accompanying notes to the required supplementary information.

CITY OF WILMINGTON
CLINTON COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS
OHIO POLICE AND FIRE PENSION FUND

LAST FOUR YEARS (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 11,309	$ (11,309)	$ -	$ 2,341,055	0.48%
2016	11,520	(11,520)	-	2,368,651	0.49%
2017	11,731	(11,731)	-	2,438,706	0.48%
2018	12,324	(12,324)	-	2,559,343	0.48%

(1) Information prior to 2015 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

See accompanying notes to the required supplementary information.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2018

		Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:					
Taxes	$	7,619,254	7,619,254	8,732,134	1,112,880
Special Assessments		76,460	76,460	87,628	11,168
Licenses and Permits		359,064	359,064	411,509	52,445
Intergovernmental		313,382	313,382	359,155	45,773
Charges for Services		1,034,297	1,034,297	1,185,368	151,071
Investment Income		66,151	66,151	75,813	9,662
Fees, Fines and Forfeitures		579,465	579,465	664,103	84,638
Other Revenue		4,106,253	4,106,253	3,379,036	(727,217)
Total Revenues		14,154,326	14,154,326	14,894,746	740,420
EXPENDITURES:					
Current:					
General Government		7,980,674	9,281,421	8,109,936	1,171,485
Security of Persons & Property		516,245	550,128	464,809	85,319
Total Expenditures		8,496,919	9,831,549	8,574,745	1,256,804
Excess (Deficit) Revenues Over/ (Under) Expenditures		5,657,407	4,322,777	6,320,001	1,997,224
OTHER FINANCING SOURCES (USES):					
Transfers-In		54,418	54,418	62,366	7,948
Transfers-Out		(5,424,439)	(5,728,232)	(5,319,749)	408,483
Total Other Financing Sources (Uses)		(5,370,021)	(5,673,814)	(5,257,383)	416,431
Net Change in Fund Balance		287,386	(1,351,037)	1,062,618	2,413,655
Fund Balance, Beginning of Year		2,916,715	2,916,715	2,916,715	-
Prior Year Encumbrances Appropriated		250,703	250,703	250,703	-
Fund Balances, End of Year	$	3,454,804	1,816,381	4,230,036	2,413,655

See accompanying notes to the required supplementary information.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
Taxi Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	$ 657,642	737,642	651,905	(85,737)
Charges for Services	320,000	320,000	336,083	16,083
Other Revenue	10,000	10,000	52,814	42,814
Total Revenues	987,642	1,067,642	1,040,802	(26,840)
EXPENDITURES:				
Current:				
Transportation	1,336,503	1,398,201	1,363,900	34,301
Total Expenditures	1,336,503	1,398,201	1,363,900	34,301
Excess (Deficit) Revenues Over/ (Under) Expenditures	(348,861)	(330,559)	(323,098)	7,461
OTHER FINANCING SOURCES (USES):				
Transfers-In	340,000	340,000	340,000	-
Total Other Financing Sources (Uses)	340,000	340,000	340,000	-
Net Change in Fund Balance	(8,861)	9,441	16,902	7,461
Fund Balance, Beginning of Year	59,194	59,194	59,194	-
Prior Year Encumbrances Appropriated	584	584	584	-
Fund Balances, End of Year	$ 50,917	69,219	76,680	7,461

See accompanying notes to the required supplementary information.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
Police Fund
For the Year Ended December 31, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	$ 261,052	261,052	245,169	(15,883)
Intergovernmental	24,500	24,500	23,661	(839)
Fees, Fines and Forfeitures	2,200	2,200	1,153	(1,047)
Other Revenue	35,000	37,000	67,631	30,631
Total Revenues	322,752	324,752	337,614	12,862
EXPENDITURES:				
Current:				
Security of Persons & Property	2,387,592	2,403,592	2,350,738	52,854
Capital Outlay	40,000	37,500	37,031	469
Total Expenditures	2,427,592	2,441,092	2,387,769	53,323
Excess (Deficit) Revenues Over/ (Under) Expenditures	(2,104,840)	(2,116,340)	(2,050,155)	66,185
OTHER FINANCING SOURCES (USES):				
Transfers-In	2,094,900	2,094,900	2,028,800	(66,100)
Total Other Financing Sources (Uses)	2,094,900	2,094,900	2,028,800	(66,100)
Net Change in Fund Balance	(9,940)	(21,440)	(21,355)	85
Fund Balance, Beginning of Year	11,650	11,650	11,650	-
Prior Year Encumbrances Appropriated	10,026	10,026	10,026	-
Fund Balances, End of Year	$ 11,736	236	321	85

See accompanying notes to the required supplementary information.

Budgets and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, certificate of estimated resources, and appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year with the legal restriction that appropriation cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department for each fund. Budgetary modification may be made only by ordinance of the City Council.

Basis of budgeting refers to when revenues and expenditures or expenses are recognized in the accounts. The City of Wilmington's (the City) budget for all legislated funds are prepared on a cash-encumbrance basis wherein transactions are recorded when cash is received or disbursed, or when a commitment has been recorded as an encumbrance against an applicable appropriation. All annual appropriations lapse at year-end to the extent they have not been expended or lawfully encumbered. Fund balances shown are unencumbered cash balances. This basis is utilized for all interim financial statements issued during the year.

The basis of budgeting differs from generally accepted accounting principles (GAAP) used for the City's year-end basic financial statements. Under that basis of accounting, revenues are generally recognized when the obligation to the City arises; the budget basis however, recognizes revenue only when cash has been received. In the basic financial statements, expenditures are generally recognized in the period in which they are incurred. Under that budget basis, expenditures are recognized when cash has been disbursed or when an encumbrance has been placed against an appropriation.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and revises estimated revenues. The commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2018.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance controls expenditures at the fund, departmental, and object level and may be amended or supplemented only by council during the year as required. During the year, several supplemental appropriation measures were legally passed. The budget figures, which appear in the statements of budgetary comparison, represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances are included as part of the appropriate fund balance within governmental funds.

Lapsing of Appropriations

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

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law requires accounting for certain transactions on the basis of cash receipts, disbursements, appropriations and encumbrances. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

The Schedules of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual (Budget Basis), The General Fund, Taxi Fund and Police Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

3. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a component of fund balances (GAAP basis).

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

Changes in Fund Balances

		General Fund	Taxi Fund	Police Fund
GAAP Basis	$	633,526	93,096	94,613
Revenue Accruals		3,174,173	(56,706)	(43)
Expenditure Accruals		(2,572,355)	(19,451)	(104,458)
Transfers		(163,675)	-	-
Encumbrances		(17,097)	(37)	(11,467)
Other Funds Legally Budgeted Separately		8,046	-	-
Budget Basis	$	1,062,618	16,902	(21,355)

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Blue Ash, Ohio 45242-1817
(513) 361-8550 or (800) 368-7419
SouthwestRegion@ohioauditor.gov

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

City of Wilmington
Clinton County
69 North South Street
Wilmington, Ohio 45177

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Clinton County, (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 August 7, 2019, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

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

Keith Faber
Auditor of State

Columbus, Ohio

August 7, 2019

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OHIO AUDITOR OF STATE
KEITH FABER

CITY OF WILMINGTON

CLINTON 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 3, 2019