CITY OF CAMBRIDGE
GUERNSEY COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF CAMBRIDGE
GUERNSEY COUNTY
DECEMBER 31, 2018

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

City of Cambridge
Guernsey County
1131 Steubenville Avenue
Cambridge, Ohio 43725

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 Cambridge, Guernsey 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 Cambridge, Guernsey County, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General, Fire, Street Improvement and CHIP Funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, and Schedules of Net Pension 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.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards (the Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 23, 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

September 23, 2019

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- In total, net position decreased $245,909, which represents less than a 1 percent decrease from 2017. Net position of governmental activities decreased $732,392. Net position of business-type activities increased $486,483.

- Total capital assets increased $2,617,513. Capital assets of governmental activities increased $1,742,074 and capital assets of business-type activities increased $875,439.

- Outstanding debt increased from $8,222,977 to $10,321,106.

- The City implemented GASB 75, which reduced beginning net position as previously reported by $7,549,124 and $1,149,273 for governmental and business-type activities, respectively.

Using this Annual Financial Report

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

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

Reporting the City of Cambridge as a Whole

Statement of Net Position and the Statement of Activities

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of the City the general is by far the most significant fund. Business-type funds consist of the water and sewer funds.

A question typically asked about the City's finances "How did we do financially during 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets* and deferred outflows of resources and *liabilities* and deferred inflows of resources using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- Governmental Activities - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community and economic development, leisure time activities and transportation.

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

Reporting the City of Cambridge's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund, fire fund, street improvement fund, CHIP fund and USDA loan fund.

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

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match, except for the internal service fund allocations.

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

The City of Cambridge as a Whole

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

Table 1
Net Position

	Governmental Activities			Business-Type Activities		
	2018	Restated 2017	Change	2018	Restated 2017	Change
Assets						
Current and Other Assets	$ 10,598,486	$ 10,065,688	$ 532,798	$ 15,366,311	$ 14,946,152	$ 420,159
Capital Assets	30,299,114	28,557,040	1,742,074	18,508,461	17,633,022	875,439
Total Assets	40,897,600	38,622,728	2,274,872	33,874,772	32,579,174	1,295,598
Deferred Outflows of Resources						
Pension & OPEB	3,332,113	3,195,407	136,706	574,044	1,041,051	(467,007)
Total Deferred Outflows of Resources	3,332,113	3,195,407	136,706	574,044	1,041,051	(467,007)
Liabilities						
Current and Other Liabilities	1,041,623	741,641	299,982	578,419	653,362	(74,943)
Long-Term Liabilities:						
Due within One Year	632,180	455,916	176,264	247,735	346,183	(98,448)
Due in More Than One Year:						
Net Pension Liability	10,685,464	12,118,560	(1,433,096)	1,815,073	2,625,335	(810,262)
Net OPEB Liability	9,106,099	7,589,893	1,516,206	1,249,056	1,164,080	84,976
Other Amounts	7,303,134	5,964,774	1,338,360	3,210,050	2,479,339	730,711
Total Liabilities	28,768,500	26,870,784	1,897,716	7,100,333	7,268,299	(167,966)
Deferred Inflows of Resources						
Property Taxes	1,864,076	1,857,789	6,287	0	0	0
Pension & OPEB	1,879,632	639,665	1,239,967	564,192	54,118	510,074
Total Deferred Inflows of Resources	3,743,708	2,497,454	1,246,254	564,192	54,118	510,074
Net Position						
Net Investment in Capital Assets	23,751,137	23,725,836	25,301	15,265,754	14,895,774	369,980
Restricted	4,080,582	3,270,665	809,917	0	0	0
Unrestricted	(16,114,214)	(14,546,604)	(1,567,610)	11,518,537	11,402,034	116,503
Total Net Position	$ 11,717,505	$ 12,449,897	$ (732,392)	$ 26,784,291	$ 26,297,808	$ 486,483

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. For 2018, the City adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer.* State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

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

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

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from $19,999,021 to $12,449,897 for governmental activities and from $27,447,081 to $26,297,808 for business-type activities.

At year end, capital assets represented 65 percent of total assets. Capital assets include land, infrastructure, land improvements, buildings, improvements other than buildings, machinery and equipment, furniture and fixtures, vehicles, water lines, sewer lines and construction in progress. Net investment in capital assets was $39,016,891 at December 31, 2018, with $23,751,137 in governmental activities and $15,265,754 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Intergovernmental receivable showed an increase in governmental activities over 2017. The increase is due to the City being awarded additional grant money in 2018 for community development grants.

The City's non-depreciable capital assets increased over 2017 in governmental activities. This increase is due to an Ohio Department of Transportation grant for the Dewey Avenue project that was started in 2017. Non-depreciable assets decreased in the business-type activities due to projects being completed in 2018.

A portion of the City's net position, $4,080,582 that are subject to external restrictions on how they may be used. The governmental activities unrestricted balance net position had a deficit of $16,114,214 mainly due to GASB 68/75.

Other amounts due in more than one year increased in both governmental and business-type activities due to debt proceeds from a United States Department of Agriculture and Ohio Water Department Authority loans.

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

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2018	2017	Change	2018	2017	Change
Revenues						
Program Revenues:						
Charges for Services	$ 1,919,671	$ 1,771,393	$ 148,278	$ 7,043,014	$ 7,274,703	$ (231,689)
Operating Grants	2,540,509	674,749	1,865,760	0	3,564	(3,564)
Capital Grants	1,564,518	404,725	1,159,793	0	0	0
General Revenues:						
Property Taxes	2,035,533	1,968,360	67,173	0	0	0
Income Taxes	7,551,757	7,593,909	(42,152)	0	0	0
Grants and Entitlements	521,602	408,762	112,840	0	0	0
Gain on Disposal of Capital Assets	3,991	0	3,991	0	0	0
Hotel Lodging Tax	300,788	263,342	37,446	0	0	0
Miscellaneous	226,535	268,078	(41,543)	36,336	19,575	16,761
Investment Earnings	207,050	130,643	76,407	241	245	(4)
Total Revenues	16,871,954	13,483,961	3,387,993	7,079,591	7,298,087	(218,496)
Program Expenses						
General Government	3,977,948	3,935,575	42,373	0	0	0
Security of Persons and Property	7,564,795	5,808,826	1,755,969	0	0	0
Public Health	436,712	401,939	34,773	0	0	0
Leisure Time Services	1,047,600	1,047,351	249	0	0	0
Community Development	747,982	665,106	82,876	0	0	0
Transportation	3,613,118	3,481,163	131,955	0	0	0
Interest and Fiscal Charges	216,191	342,163	(125,972)	0	0	0
Enterprise Operations:						
Water	0	0	0	3,699,855	3,332,106	367,749
Sewer	0	0	0	2,893,253	2,980,297	(87,044)
Total Program Expenses	17,604,346	15,682,123	1,922,223	6,593,108	6,312,403	280,705
Change in Net Position	(732,392)	(2,198,162)	1,465,770	486,483	985,684	(499,201)
Net Position Beginning of Year	12,449,897	22,197,183	(9,747,286)	26,297,808	26,461,397	(163,589)
Restatement - See Note 2	0	(7,549,124)	7,549,124	0	(1,149,273)	1,149,273
Net Position End of Year	$ 11,717,505	$ 12,449,897	$ (732,392)	$ 26,784,291	$ 26,297,808	$ 486,483

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $55,576 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of $837,779. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2018 Expenses under GASB 75	$ 17,604,346	$ 6,593,108
OPEB Expense under GASB 75	(735,300)	(102,479)
2018 Contractually Required Contributions	14,177	0
Adjusted 2018 Expenses	16,883,223	6,490,629
Total 2017 Expenses under GASB 45	15,682,123	6,312,403
Increase/(Decrease) in Expenses not Related to OPEB	$ 1,201,100	$ 178,226

The City's overall net position decreased $245,909 from the prior year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities

Operating grants, contributions and interest increased primarily due to the receipt of a community development grant for downtown revitalization in 2018. Capital grants, contributions and interest increased primarily due to the Ohio Department of Transportation grants being awarded in 2018.

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

The City's income tax is at a rate of 2.0 percent. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 2.0 percent for those who pay income tax to another city. City Council could by ordinance, choose to vary that income tax credit and create additional revenues for the City.

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

Police and fire (security of persons and property) represent the largest expense of the governmental activities. The police department operates out of the general fund and the fire department operates out of the fire fund.

Security of persons and property expense increased in 2018 due to expenses of the new police station that did not qualify to be capitalized. This project was completed in 2018.

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

The City also maintains a cemetery (public health services) and a park (leisure time activities) within the City.

Business-Type Activities

Business-type activities include water and sewer operations. The revenues are generated primarily from charges for services. In 2018, charges for services accounted for nearly 100 percent of the business type revenues.

The City's Funds

Governmental Funds

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

The general fund's net change in fund balance for 2018 was a decrease of $376,652, mostly due to a transfer out to help offset the cost to operate the cemetery and an increase in security of persons and property. The increase in security of persons and property is due to the purchase of equipment and furniture for new police station.

The fund balance of the fire fund decreased by $82,652.

The fund balance of the street improvement fund decreased by $248,920. Intergovernmental revenue increased due to Ohio Department of Transportation grants, which is mainly due to the Dewey Avenue project offset by an increase in capital outlay.

The CHIP fund balance decreased by $166,946. This decrease is mainly due to timing of expenditures and revenues from grant funds.

The fund balance of the USDA fund decreased by $125,390. This fund issued loan proceeds to assist with the cost associated remodeling of new police station.

Proprietary Funds

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

Unrestricted net position of the water fund at the end of the year amounted to $6,312,556 and the unrestricted net position of the sewer fund was $5,139,936. The water fund net position saw growth in 2018 of $739,438 while the sewer funds saw a $260,654 decrease in net position. Other factors concerning the finances of these two funds have already been addressed in the discussion of the business-type activities.

General Fund Budgeting Highlights

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

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

Original Budget Compared to Final Budget During the year there was a need to make an amendment to increase the original estimated revenues and original budgeted appropriations. Revenues or appropriations also had no significant differences between original budget compared to final budget.

Final Budget Compared to Actual Results There were no significant differences between estimated revenues and actual revenues. The exceptions were the estimated intergovernmental revenues and interest which were slightly more than expected. Appropriations also had no significant differences between estimated expenditures and actual expenditures. The exception would be for general government expenditures which were lower than the estimated amount.

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

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2018 balances compared to 2017.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 2,675,429	$ 2,635,811	$ 251,146	$ 201,041	$ 2,926,575	$ 2,836,852
Construction in Progress	1,715,429	851,092	198,007	516,899	1,913,436	1,367,991
Land Improvements	22,051	24,502	0	0	22,051	24,502
Buildings	6,846,356	5,033,590	1,693,450	2,054,597	8,539,806	7,088,187
Improvements Other Than Buildings	686,910	573,752	5,270,289	5,460,247	5,957,199	6,033,999
Machinery and Equipment	841,016	623,444	1,064,044	838,480	1,905,060	1,461,924
Furniture and Fixtures	17,446	20,433	11,643	34,929	29,089	55,362
Vehicles	985,181	1,229,089	14,190	28,465	999,371	1,257,554
Infrastructure	16,509,296	17,565,327	0	0	16,509,296	17,565,327
Water Lines	0	0	5,107,306	3,805,664	5,107,306	3,805,664
Sewer Lines	0	0	4,898,386	4,692,700	4,898,386	4,692,700
Total	$ 30,299,114	$ 28,557,040	$ 18,508,461	$ 17,633,022	$ 48,807,575	$ 46,190,062

The $864,337 increase in construction in progress of governmental activities is due to the Dewey Avenue roadway upgrade and Clark Street reconstruction projects. See Note 9 for additional information about the capital assets of the City.

Debt

See Note 14 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	$ 3,481,249	$ 3,578,376	$ 0	$ 0	$ 3,481,249	$ 3,578,376
OPWC Loans	28,124	35,155	27,669	36,892	55,793	72,047
OWDA Loans	0	0	3,181,181	2,563,841	3,181,181	2,563,841
Loan Payable	2,745,278	953,932	0	0	2,745,278	953,932
Police and Fire Pension	373,130	388,532	0	0	373,130	388,532
Capital Leases	451,443	643,671	33,032	22,578	484,475	666,249
Total	$ 7,079,224	$ 5,599,666	$ 3,241,882	$ 2,623,311	$ 10,321,106	$ 8,222,977

Economic Factors

The City has several capital improvement projects planned for this year in the various departments. The street department will be resurfacing several streets in addition to crack sealing and micro-surfacing various streets. ODOT will be resurfacing a portion of US 40/22 on the west side of the corporation limit in the fall. The City started the Clark St waterline replacement project in March and will be operational by the end of June. Later in the summer, the City will install a cast in place liner in various sanitary and storm sewers to prevent inflow and infiltration. The Cambridge Water Plant will have the trihalomethane removal system operational by the end of the year to comply with the current Ohio EPA rules. The water plant will also be installing a new truss roof system over the main building later this year. The Cambridge Sewer Plant replaced one of the primary clarifiers, and will complete another tank later in the fall. And finally, the City will be renovating a building along Southgate Parkway for the home of the City Administration later in the year.

We also have a few projects planned for 2020. We will be performing the annual street resurfacing project, and upgrading Clark St. The Clark St roadway project will include the complete replacement of the street including new storm sewers, curb/gutter, subbase, sidewalks, traffic signals, and a new asphalt pavement surface. In the water department, we plan to replace waterlines along Steubenville Ave, and continue to make minor upgrades at the water plant. In the sewer department, we will be upgrading the SCADA system in the collection system and at the sewer plant and installing additional CIPP liner throughout the system.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Suellen Johnson, Auditor of City of Cambridge, 1131 Steubenville Ave., Cambridge, Ohio 43725 or email camb-auditor@cambridgeoh.org.

City of Cambridge
Guernsey County, Ohio
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$ 5,412,376	$ 13,711,854	$ 19,124,230
Cash and Investments in Segregated Accounts	461,444	0	461,444
Accounts Receivable	140,161	1,344,785	1,484,946
Intergovernmental Receivable	1,121,656	0	1,121,656
Property Taxes Receivable	2,276,111	0	2,276,111
Income Taxes Receivable	1,205,203	0	1,205,203
Special Assessments Receivable	3,475	0	3,475
Loans Receivable	6,942	0	6,942
Internal Balances	(66,045)	66,045	0
Prepaid Items	13,163	17,260	30,423
Materials and Supplies Inventory	24,000	29,601	53,601
Restricted Assets	0	196,766	196,766
Non-Depreciable Capital Assets	4,390,858	449,153	4,840,011
Depreciable Capital Assets, Net	25,908,256	18,059,308	43,967,564
Total Assets	40,897,600	33,874,772	74,772,372
Deferred Outflows of Resources			
Pension	2,185,503	472,997	2,658,500
OPEB	1,146,610	101,047	1,247,657
Total Deferred Outflows of Resources	3,332,113	574,044	3,906,157
Liabilities			
Accounts Payable	144,016	146,092	290,108
Accrued Wages	374,413	108,823	483,236
Contracts Payable	103,516	825	104,341
Retainage Payable	48,179	0	48,179
Intergovernmental Payable	106,087	24,070	130,157
Accrued Interest Payable	41,606	946	42,552
Claims Payable	5,961	0	5,961
Accrued Vacation Leave Payable	217,845	100,897	318,742
Customer Deposits Payable	0	196,766	196,766
Long-Term Liabilities:			
Due Within One Year	632,180	247,735	879,915
Due In More Than One Year:			
Net Pension Liability	10,685,464	1,815,073	12,500,537
Net OPEB Liability	9,106,099	1,249,056	10,355,155
Other Amounts Due in More Than One Year	7,303,134	3,210,050	10,513,184
Total Liabilities	28,768,500	7,100,333	35,868,833
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	1,864,076	0	1,864,076
Pension	1,568,874	460,449	2,029,323
OPEB	310,758	103,743	414,501
Total Deferred Inflows of Resources	3,743,708	564,192	4,307,900
Net Position			
Net Investment in Capital Assets	23,751,137	15,265,754	39,016,891
Restricted for:			
Debt Service	63,212	0	63,212
Capital Outlay	254,267	0	254,267
Other Purposes	3,763,103	0	3,763,103
Unrestricted	(16,114,214)	11,518,537	(4,595,677)
Total Net Position	$ 11,717,505	$ 26,784,291	$ 38,501,796

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Activities
For the Year Ended December 31, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	$ 3,977,948	$ 1,319,216	$ 37,421	$ 0	$ (2,621,311)	$ 0	$ (2,621,311)
Security of Persons and Property	7,564,795	212,247	278,201	213,205	(6,861,142)	0	(6,861,142)
Public Health	436,712	132,758	801,689	0	497,735	0	497,735
Leisure Time Services	1,047,600	247,487	47,459	0	(752,654)	0	(752,654)
Community Development	747,982	0	720,533	0	(27,449)	0	(27,449)
Transportation	3,613,118	7,963	655,206	1,351,313	(1,598,636)	0	(1,598,636)
Interest and Fiscal Charges	216,191	0	0	0	(216,191)	0	(216,191)
Total Governmental Activities	17,604,346	1,919,671	2,540,509	1,564,518	(11,579,648)	0	(11,579,648)
Business-Type Activities							
Water	3,699,855	4,426,296	0	0	0	726,441	726,441
Sewer	2,893,253	2,616,718	0	0	0	(276,535)	(276,535)
Total Business-Type Activities	6,593,108	7,043,014	0	0	0	449,906	449,906
Total	$ 24,197,454	$ 8,962,685	$ 2,540,509	$ 1,564,518	(11,579,648)	449,906	(11,129,742)

	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Property Taxes Levied for:			
General Purposes	353,639	0	353,639
Fire	1,589,640	0	1,589,640
Police and Fire Pension	92,254	0	92,254
Income Taxes Levied for:			
General Purposes	5,380,829	0	5,380,829
Street Department	566,387	0	566,387
Fire	471,774	0	471,774
Street Improvements	1,132,767	0	1,132,767
Grants and Entitlements not Restricted to Specific Programs	521,602	0	521,602
Gain on Disposal of Capital Assets	3,991	0	3,991
Hotel Lodging Tax	300,788	0	300,788
Miscellaneous	226,535	36,336	262,871
Investment Earnings	207,050	241	207,291
Total General Revenues	10,847,256	36,577	10,883,833
Change in Net Position	(732,392)	486,483	(245,909)
Net Position Beginning of Year (Restated, see Note 2)	12,449,897	26,297,808	38,747,705
Net Position End of Year	$ 11,717,505	$ 26,784,291	$ 38,501,796

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Balance Sheet
Governmental Funds
December 31, 2018

	General Fund	Fire Fund	Street Improvement Fund	CHIP Fund	USDA Loan Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets							
Equity in Pooled Cash and Investments	$ 1,278,911	$ 421,161	$ 447,586	$ 0	$ 11,800	$ 3,252,918	$ 5,412,376
Cash and Investments in Segregated Accounts	43,056	0	0	0	0	121,436	164,492
Accounts Receivable	92,368	0	11,500	0	0	36,293	140,161
Intergovernmental Receivable	144,832	36,357	0	700,000	0	240,467	1,121,656
Property Taxes Receivable	414,135	1,767,634	0	0	0	94,342	2,276,111
Income Taxes Receivable	847,951	74,345	178,510	0	0	104,397	1,205,203
Special Assessments Receivable	0	0	0	0	0	3,475	3,475
Loans Receivable	0	0	0	0	0	6,942	6,942
Prepaid Items	10,039	828	0	0	0	2,296	13,163
Materials and Supplies Inventory	0	0	0	0	0	24,000	24,000
Total Assets	$ 2,831,292	$ 2,300,325	$ 637,596	$ 700,000	$ 11,800	$ 3,886,566	$ 10,367,579
Liabilities							
Accounts Payable	$ 61,621	$ 25,763	$ 27,484	$ 0	$ 0	$ 29,148	$ 144,016
Accrued Wages	247,512	84,307	0	0	0	42,594	374,413
Contracts Payable	0	0	16,703	0	86,813	0	103,516
Retainage Payable	0	0	0	0	48,179	0	48,179
Intergovernmental Payable	64,951	31,821	0	0	0	9,315	106,087
Total Liabilities	374,084	141,891	44,187	0	134,992	81,057	776,211
Deferred Inflows of Resources							
Property Taxes Levied for the Next Year	339,050	1,450,270	0	0	0	74,756	1,864,076
Unavailable Revenue	496,151	378,935	60,552	700,000	0	213,869	1,849,507
Total Deferred Inflows of Resources	835,201	1,829,205	60,552	700,000	0	288,625	3,713,583
Fund Balances							
Nonspendable	52,365	828	0	0	0	26,296	79,489
Restricted	0	328,401	532,857	0	0	3,062,390	3,923,648
Committed	0	0	0	0	0	444,685	444,685
Assigned	1,399,902	0	0	0	0	0	1,399,902
Unassigned	169,740	0	0	0	(123,192)	(16,487)	30,061
Total Fund Balances	1,622,007	329,229	532,857	0	(123,192)	3,516,884	5,877,785
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,831,292	$ 2,300,325	$ 637,596	$ 700,000	$ 11,800	$ 3,886,566	$ 10,367,579

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2018

Total Governmental Fund Balances		$ 5,877,785
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.		30,299,114
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	$ 412,035	
Income Tax	403,677	
Intergovernmental	998,633	
Special Assessments	3,475	
Charges for Services	31,687	1,849,507
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		224,946
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(41,606)
The net pension liability and net OPEB liability are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	2,185,503	
Deferred Outflows - OPEB	1,146,610	
Net Pension Liability	(10,685,464)	
Net OPEB Liability	(9,106,099)	
Deferred Inflows - Pension	(1,568,874)	
Deferred Inflows - OPEB	(310,758)	(18,339,082)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(3,195,000)	
Bond Premium	(193,430)	
Capital Appreciation Bonds	(4,561)	
Bond Accretion	(88,258)	
OPWC Loans	(28,124)	
Bond Accretion	(393,906)	
USDA Loan	(2,351,372)	
Accrued Pension Liability	(373,130)	
Accrued Vacation Leave Payable	(217,845)	
Capital Leases	(451,443)	
Compensated Absences	(856,090)	(8,153,159)
Net Position of Governmental Activities		$ 11,717,505

See accompanying notes to the basic financial statements.

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

	General	Fire Fund	Street Improvement Fund	CHIP Fund	USDA Loan Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues							
Property and Other Local Taxes	$ 347,828	$ 1,564,212	$ 0	$ 0	$ 0	$ 90,738	$ 2,002,778
Income Taxes	5,314,227	465,945	1,118,748	0	0	559,378	7,458,298
Other Local Taxes	0	0	0		0	300,788	300,788
Special Assessments	0	0	0	0	0	11,920	11,920
Charges for Services	204,547	170,000	0	0	0	205,853	580,400
Licenses and Permits	138,453	0	0	0	0	7,963	146,416
Fines and Forfeitures	512,162	0	0	0	0	648,493	1,160,655
Intergovernmental	507,752	130,601	1,471,313	306,491	0	736,394	3,152,551
Interest	205,518	0	0	0	0	6,828	212,346
Rent	9,742	100	0	0	0	21,600	31,442
Contributions and Donations	47,459	2,000	0	0	0	800,000	849,459
Other	177,332	11,771	11,700	0	0	25,732	226,535
Total Revenues	7,465,020	2,344,629	2,601,761	306,491	0	3,415,687	16,133,588
Expenditures							
Current:							
General Government	3,215,532	0	0	0	0	492,392	3,707,924
Security of Persons and Property	3,144,480	2,332,801	0	0	500,552	242,894	6,220,727
Public Health	2,550	0	0	0	0	463,388	465,938
Leisure Time Services	872,675	0	0	0	0	72,911	945,586
Community Development	235,127	0	0	473,437	0	23,641	732,205
Transportation	102,000	0	1,394,722	0	0	978,783	2,475,505
Capital Outlay	1,338	21,678	1,418,155	0	1,454,245	274,303	3,169,719
Debt Service:							
Principal Retirement	27,308	62,563	34,672	0	0	308,259	432,802
Interest and Fiscal Charges	10,062	10,239	3,132	0	0	242,157	265,590
Total Expenditures	7,611,072	2,427,281	2,850,681	473,437	1,954,797	3,098,728	18,415,996
Excess of Revenues Over (Under) Expenditures	(146,052)	(82,652)	(248,920)	(166,946)	(1,954,797)	316,959	(2,282,408)
Other Financing Sources (Uses)							
Inception of Capital Lease	0	0	0	0	0	153,755	153,755
Proceeds from Sale of Capital Assets	0	0	0	0	0	5,750	5,750
Issuance of USDA Loan	0	0	0	0	1,829,407	0	1,829,407
Transfers In	0	0	0	0	0	230,600	230,600
Transfers Out	(230,600)	0	0	0	0	0	(230,600)
Total Other Financing Sources (Uses)	(230,600)	0	0	0	1,829,407	390,105	1,988,912
Net Change in Fund Balance	(376,652)	(82,652)	(248,920)	(166,946)	(125,390)	707,064	(293,496)
Fund Balance Beginning of Year	1,998,659	411,881	781,777	166,946	2,198	2,809,820	6,171,281
Fund Balance End of Year	$ 1,622,007	$ 329,229	$ 532,857	$ 0	$ (123,192)	$ 3,516,884	$ 5,877,785

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds		$ (293,496)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	$ 3,570,347	
Current Year Depreciation	(1,826,514)	1,743,833
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(1,759)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	32,755	
Income Tax	93,459	
Intergovernmental	404,586	
Charges for Services	758	
Special Assessments	(11,920)	519,638
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	20,000	
Accrued Pension Liability	15,402	
OPWC Loan	7,031	
Installment Loan	38,061	
Capital Appreciation bonds	6,325	
Accretion on Capital Appreciation Bonds	118,675	
Capital Lease	345,983	551,477
Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
USDA Loans		(1,829,407)
Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		(153,755)
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	(21,403)	
Amortization of Premium on Bonds	10,181	(11,222)
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	1,001,858	
OPEB	14,177	1,016,035
Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(1,467,106)	
OPEB	(735,300)	(2,202,406)
The internal service fund used by management to charge the costs of insurance to invididual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		32,755
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.		
Accrued Vacation Leave Payable	(10,965)	
Compensated Absences	(35,066)	(46,031)
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds in the statement of activities.		(58,054)
Change in Net Position of Governmental Activities		$ (732,392)

See accompanying notes to the basic financial statements.

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

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Property Taxes	$ 301,000	$ 301,000	$ 347,828	$ 46,828
Income Taxes	5,150,000	5,150,000	5,508,864	358,864
Charges for Services	5,000	5,000	34,515	29,515
Licenses and Permits	121,000	121,000	138,858	17,858
Fines and Forfeitures	480,100	480,100	517,099	36,999
Intergovernmental	449,000	449,000	508,099	59,099
Interest	50,000	50,000	250,466	200,466
Rent	8,000	8,000	9,742	1,742
Other	11,000	105,030	130,186	25,156
Total Revenues	6,575,100	6,669,130	7,445,657	776,527
Expenditures				
Current:				
General Government	3,249,444	3,386,232	3,230,526	155,706
Security of Persons and Property	3,119,012	3,126,154	3,126,154	0
Public Health	10,000	10,000	2,550	7,450
Leisure Time Services	660,981	660,981	640,281	20,700
Community Development	244,914	244,914	238,282	6,632
Capital Outlay	1,338	1,338	1,338	0
Debt Service:				
Principal Retirement	27,308	27,308	27,308	0
Interest and Fiscal Charges	10,062	10,062	10,062	0
Total Expenditures	7,323,059	7,466,989	7,276,501	190,488
Excess of Revenues Over (Under) Expenditures	(747,959)	(797,859)	169,156	967,015
Other Financing Sources (Uses)				
Transfers Out	(350,000)	(346,100)	(337,600)	8,500
Net Change in Fund Balance	(1,097,959)	(1,143,959)	(168,444)	975,515
Fund Balance Beginning of Year	1,237,755	1,237,755	1,237,755	0
Prior Year Encumbrances Appropriated	21,720	21,720	21,720	0
Fund Balance End of Year	$ 161,516	$ 115,516	$ 1,091,031	$ 975,515

See accompanying notes to the basic financial statements.

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

	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
Revenues				
Property Taxes	$ 1,450,000	$ 1,450,000	$ 1,564,212	$ 114,212
Income Taxes	395,000	395,000	483,026	88,026
Charges for Services	170,000	170,000	170,000	0
Intergovernmental	80,000	130,000	130,601	601
Rent	0	0	100	100
Contributions and Donations	0	0	2,000	2,000
Other	25,000	27,000	11,771	(15,229)
Total Revenues	2,120,000	2,172,000	2,361,710	189,710
Expenditures				
Current:				
Security of Persons and Property	2,328,698	2,380,698	2,326,766	53,932
Capital Outlay	30,000	30,000	22,778	7,222
Debt Service:				
Principal Retirement	62,563	62,563	62,563	0
Interest and Fiscal Charges	10,239	10,239	10,239	0
Total Expenditures	2,431,500	2,483,500	2,422,346	61,154
Net Change in Fund Balance	(311,500)	(311,500)	(60,636)	250,864
Fund Balance Beginning of Year	455,441	455,441	455,441	0
Prior Year Encumbrances Appropriated	12,053	12,053	12,053	0
Fund Balance End of Year	$ 155,994	$ 155,994	$ 406,858	$ 250,864

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Improvement Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Income Taxes	$ 900,000	$ 900,000	$ 1,159,725	$ 259,725
Intergovernmental	0	0	1,471,313	1,471,313
Other	0	20,000	200	(19,800)
Total Revenues	900,000	920,000	2,631,238	1,711,238
Expenditures				
Current:				
Transportation	1,240,346	1,347,846	1,424,276	(76,430)
Capital Outlay	57,154	57,154	1,401,452	(1,344,298)
Debt Service:				
Principal Retirement	0	7,500	34,672	(27,172)
Interest and Fiscal Charges	0	0	3,132	(3,132)
Total Expenditures	1,297,500	1,412,500	2,863,532	(1,451,032)
Net Change in Fund Balance	(397,500)	(492,500)	(232,294)	260,206
Fund Balance Beginning of Year	498,871	498,871	498,871	0
Prior Year Encumbrances Appropriated	123,971	123,971	123,971	0
Fund Balance End of Year	$ 225,342	$ 130,342	$ 390,548	$ 260,206

See accompanying notes to the basic financial statements.

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

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Intergovernmental	$ 366,220	$ 409,548	$ 356,684	(52,864)
Expenditures				
Current:				
Community Development	477,598	520,926	485,337	35,589
Net Change in Fund Balance	(111,378)	(111,378)	(128,653)	(17,275)
Fund Balance Beginning of Year	113,359	113,359	113,359	0
Prior Year Encumbrances Appropriated	15,294	15,294	15,294	0
Fund Balance End of Year	$ 17,275	$ 17,275	$ 0	$ (17,275)

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2018

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
Assets				
Current Assets:				
Equity in Pooled Cash and Investments	$ 8,361,500	$ 5,350,354	$ 13,711,854	$ 0
Cash and Investments in Segregated Accounts	0	0	0	296,952
Accounts Receivable	792,748	552,037	1,344,785	0
Prepaid Items	10,356	6,904	17,260	0
Materials and Supplies Inventory	21,993	7,608	29,601	0
Total Current Assets	9,186,597	5,916,903	15,103,500	296,952
Non-Current Assets:				
Restricted Assets:				
Equity in Pooled Cash and Investments	196,766	0	196,766	0
Non-Depreciable Capital Assets	340,261	108,892	449,153	0
Depreciable Capital Assets, Net	7,283,646	10,775,662	18,059,308	0
Total Non-Current Assets	7,820,673	10,884,554	18,705,227	0
Total Assets	17,007,270	16,801,457	33,808,727	296,952
Deferred Outflows of Resources				
Pension	275,038	197,959	472,997	0
OPEB	60,195	40,852	101,047	0
Total Deferred Outflows of Resources	335,233	238,811	574,044	0
Liabilities				
Current Liabilities:				
Accounts Payable	65,844	80,248	146,092	0
Accrued Wages	62,056	46,767	108,823	0
Contracts Payable	825	0	825	0
Intergovernmental Payable	13,963	10,107	24,070	0
Accrued Vacation Leave Payable	43,966	56,931	100,897	0
Accrued Interest Payable	473	473	946	0
Claims Payable	0	0	0	5,961
Customer Deposits Payable	196,766	0	196,766	0
Compensated Absences Payable	8,757	3,900	12,657	0
Capital Leases Payable	8,113	8,112	16,225	0
OPWC Loan Payable	9,223	0	9,223	0
OWDA Loans Payable	68,476	141,155	209,631	0
Total Current Liabilities	478,462	347,693	826,155	5,961
Long-Term Liabilities:				
Compensated Absences Payable - Net of Current Portion	102,410	100,836	203,246	0
Capital Leases Payable - Net of Current Portion	8,403	8,404	16,807	0
OPWC Loan Payable - Net of Current Portion	18,446	0	18,446	0
OWDA Loans Payable - Net of Current Portion	1,854,705	1,116,845	2,971,550	0
Net Pension Liability	1,008,374	806,699	1,815,073	0
Net OPEB Liability	693,920	555,136	1,249,056	0
Total Long-Term Liabilities	3,686,258	2,587,920	6,274,178	0
Total Liabilities	4,164,720	2,935,613	7,100,333	5,961
Deferred Inflows of Resources				
Pension	236,356	224,093	460,449	0
OPEB	51,692	52,051	103,743	0
Total Deferred Inflows of Resources	288,048	276,144	564,192	0
Net Position				
Net Investment in Capital Assets	6,577,179	8,688,575	15,265,754	0
Unrestricted	6,312,556	5,139,936	11,452,492	290,991
Total Net Position	$12,889,735	$13,828,511	26,718,246	$ 290,991
Some amounts reported for business-type activities in the statement of net position are different because internal service fund assets and liabilities are included with business-type activities.				
Net Position of business-type activities			66,045	
			$ 26,784,291	

See accompanying notes to the basic financial statements.

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

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
Operating Revenues				
Charges for Services	$ 4,426,296	$ 2,616,718	$ 7,043,014	$ 427,744
Other	16,086	20,250	36,336	0
Total Operating Revenues	4,442,382	2,636,968	7,079,350	427,744
Operating Expenses				
Personal Services	1,465,346	1,253,165	2,718,511	0
Contractual Services	563,005	527,959	1,090,964	14,090
Materials and Supplies	1,074,598	647,709	1,722,307	0
Claims	0	0	0	374,732
Depreciation	521,652	426,874	948,526	0
Total Operating Expenses	3,624,601	2,855,707	6,480,308	388,822
Operating Income (Loss)	817,781	(218,739)	599,042	38,922
Non-Operating Revenues (Expense)				
Interest	0	241	241	1,532
Interest and Fiscal Charges	(78,343)	(42,156)	(120,499)	0
Total Non-Operating Revenues (Expense)	(78,343)	(41,915)	(120,258)	1,532
Change in Net Position	739,438	(260,654)	478,784	40,454
Net Position Beginning of Year (Restated, see Note 2)	12,150,297	14,089,165		250,537
Net Position End of Year	$ 12,889,735	$ 13,828,511		$ 290,991
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:			7,699	
Changes in Net Position of Business-Type Activities			$ 486,483	

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
Cash Flows from Operating Activities				
Cash Received from Customers	$ 4,469,230	$ 2,644,920	$ 7,114,150	$ 427,744
Cash Received from Other Operating Receipts	16,086	20,250	36,336	0
Cash Payments to Suppliers for Goods and Services	(1,060,508)	(636,983)	(1,697,491)	0
Cash Payments to Employees for Services and Benefits	(1,288,570)	(1,160,694)	(2,449,264)	0
Cash Payments for Contractual Services	(552,233)	(503,976)	(1,056,209)	(14,090)
Cash Payments for Claims	0	0	0	(374,429)
Net Cash Provided by (Used for) Operating Activities	1,584,005	363,517	1,947,522	39,225
Cash Flows from Capital and Related Financing Activities				
Proceeds of OWDA Loans	1,012,575	0	1,012,575	0
Acquisition of Capital Assets	(1,425,021)	(472,958)	(1,897,979)	0
Principal Payments on Debt	(287,494)	(156,952)	(444,446)	0
Interest Payments on Debt	(77,870)	(41,683)	(119,553)	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	(777,810)	(671,593)	(1,449,403)	0
Cash Flows from Investing Activities				
Interest	0	241	241	1,532
Net Increase (Decrease) in Cash and Investments	806,195	(307,835)	498,360	40,757
Cash and Investments Beginning of Year	7,752,071	5,658,189	13,410,260	256,195
Cash and Investments End of Year	$ 8,558,266	$ 5,350,354	$ 13,908,620	$ 296,952

(Continued)

City of Cambridge
Guernsey County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Enterprise Funds			Governmental Activities - Internal Service Fund
	Water	Sewer	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	$ 817,781	$ (218,739)	$ 599,042	$ 38,922
Adjustments:				
Depreciation	521,652	426,874	948,526	0
(Increase) Decrease in Assets and Deferred Outflows:				
Accounts Receivable	42,934	28,202	71,136	0
Prepaid Items	(852)	0	(852)	0
Materials and Supplies Inventory	17,342	(1,726)	15,616	0
Deferred Outflows - Pension/OPEB	240,191	226,816	467,007	0
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	12,127	36,435	48,562	0
Accrued Wages	556	5,714	6,270	0
Customer Deposits Payable	(3,755)	0	(3,755)	0
Claims Payable	0	0	0	303
Accrued Vacation Leave Payable	7,650	3,506	11,156	0
Compensated Absences Payable	18,030	(4,338)	13,692	0
Matured Compensated Absences Payable	(14,931)	0	(14,931)	0
Intergovernmental Payable	531	734	1,265	0
Deferred Inflows - Pension/OPEB	279,566	230,508	510,074	0
Net Pension Liability	(416,808)	(393,454)	(810,262)	0
Net OPEB Liability	61,991	22,985	84,976	0
Net Cash Provided by (Used For) Operating Activities	$ 1,584,005	$ 363,517	$ 1,947,522	$ 39,225

Noncash Capital Financing Activities:
The City purchased $825 and $125,281 of capital assets on account in 2018 and 2017, respectively.
The sewer and water funds entered into capital leases in the amount of $8,705 each.

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2018

	Private Purpose Trust	Agency Funds
Assets		
Equity in Pooled Cash and Investments	$ 0	$ 36,809
Cash and Investments in Segregated Accounts	48,041	151,524
Accounts Receivable	0	2,950
Total Assets	48,041	$ 191,283
Liabilities		
Due to Others	0	$ 191,283
Net Position		
Held in Trust for Private Purposes	$ 48,041	

See accompanying notes to the basic financial statements.

City of Cambridge
Guernsey County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Year Ended December 31, 2018

	Private Purpose Trust
Deductions	
Payments in Accordance with Trust Agreements	$ 280
Change in Net Position	(280)
Net Position Beginning of Year	48,321
Net Position End of Year	$ 48,041

See accompanying notes to the basic financial statements.

NOTE 1: REPORTING ENTITY

The City of Cambridge, Ohio (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The City was incorporated in 1837 and is a statutory municipal corporation under the laws of the State of Ohio. The City operates under a Council-Mayor form of government.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. A primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government of the City includes City departments and agencies that provide the following services: police and fire protection, water, sewer, parks and recreation, planning, zoning, street maintenance and repair, and general administrative services. The operation of each of these activities is directly controlled by the Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which include the following services: police and fire protection, parks and recreation, planning, zoning, street maintenance and other governmental services. In addition, the City owns and operates a water treatment and distribution system and a wastewater treatment and collection system which are reported as enterprise funds.

Related Organizations

Guernsey County Convention Facilities Authority – The Convention Facilities Authority (CFA) was created pursuant to state statutes for the purpose of constructing, equipping, and operating a convention facility in Guernsey County. The Authority operates under the direction of an eleven member appointed board of directors. This board consists of six members appointed by Guernsey County, three members appointed by the Mayor of Cambridge, and two members appointed by the remaining municipal corporations located within the County. The City's accountability does not extend beyond making the appointments.

Cambridge Metropolitan Housing Authority – The Cambridge Metropolitan Housing Authority is a nonprofit organization established to provide adequate public housing for low income individuals and was created pursuant to state statutes. The Authority is operated by a five member board. Two members are appointed by the Mayor of Cambridge, one member is appointed by the common pleas court judge, and one member is appointed by the Guernsey County Commissioners. The City is not financially accountable for the Authority.

Guernsey County Airport Authority – The Guernsey County Airport Authority was created to provide for the orderly development of aviation facilities in the region. The Authority is governed by a five member board of trustees. The initial board consisted of three members appointed by the City of Cambridge and two members appointed by the Guernsey County Board of Commissioners. Subsequent appointments are made by the City in each even numbered year and the County in each odd numbered year. The City provided 27 percent of the funds received by the Authority in 2018; however, the City is not financially accountable for the Authority.

South East Area Transit – The South East Area Transit (SEAT) was created pursuant to state statute in 1979. SEAT formulates general policy for the operation of the Regional Transit Authority. Other duties of SEAT include determining routes and fares, formulate operating procedures, promote and maintain community awareness, and appoint and remove the General Manager and Secretary/Treasurer. SEAT is limited to a ten member board comprised of seven individuals appointed by the Mayor of Zanesville, two people appointed by Muskingum County Commissioners, one individual appointed by the Mayor of South Zanesville, one person appointed by the Guernsey County Commissioners and one person appointed by the Mayor of Cambridge. The continued existence of the Authority is not dependent on the City's continued participation and the City has no equity interest in or financial responsibility for the Authority.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

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

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

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

B. Fund Accounting

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

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

> ***General Fund*** The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Fire Fund*** The fire special revenue fund is used to account for the property taxes levied in the City for the operation of its fire department.
>
> ***Street Improvement Fund*** The street improvement fund is used to account for the street improvements for the City.
>
> ***CHIP Grant Fund*** The CHIP Grant fund is used to account for revenue received from the federal government and expenditures incurred as prescribed under the Community Development Block Grant Program.
>
> ***USDA Loan Fund*** The USDA Loan fund is used to account for the loan proceeds and construction costs.

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

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following are the City's proprietary fund types:

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 sewer and water funds are the City's major enterprise funds.

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

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

Internal Service Fund The internal service fund accounts for the financing of service provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City's internal service fund reports on a self-insurance program for employee dental benefits.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City's trust funds are private-purpose trust funds established to account for the funds used for money held for the upkeep of the cemetery. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency fund accounts for court collections that are distributed to various other City funds.

C. Measurement Focus

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

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary fund activities. Private purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus.

D. Basis of Accounting

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

Revenues - Exchange and Non-Exchange Transactions 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 become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days of the fiscal year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6.) Revenue from grants, entitlements, and donations is recognized in the 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 year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and entitlements, and rentals.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue may include delinquent property taxes, income taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11)

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

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

E. Pooled Cash and Investments

To improve cash management, all cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and investments." Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost.

During 2018 the City invested in federal agency securities, money market mutual funds, STAR Ohio (the State Treasury Asset Reserve of Ohio), commercial paper and certificates of deposits.

STAR Ohio (the State Treasury Asset Reserve of 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 has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

The City also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance with no term commitment on deposits.

For the fiscal year 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $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 participant will be combined for these purposes.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2018 amounted to $205,518, which includes $104,924 assigned from other City funds.

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash and investments in segregated accounts" since they are not required to be deposited into the City's treasury. See Note 5, "Deposits and Investments."

F. Prepaid Items

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

G. Materials and Supplies Inventory

Materials and supplies inventory is stated at cost (first-in, first-out) in the governmental funds, and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the governmental activities and proprietary funds when used.

H. Restricted Assets

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

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of $5,000 for all capital assets except $25,000 for governmental infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Land Improvements	15 - 20 Years	N/A
Buildings	5 - 50 Years	15 - 25 Years
Improvements Other Than Buildings	15 - 25 Years	25 - 65 Years
Machinery and Equipment	5 - 25 Years	5 - 25 Years
Furniture and Fixtures	10 - 15 Years	5 - 15 Years
Vehicles	5 - 20 Years	5 - 10 Years
Water/Sewer Lines	N/A	65 Years
Infrastructure	25 - 75 Years	N/A

J. Interfund Balances

On fund financial statements, long-term interfund loans are reported as "advances to/from other funds." Repayment is expected to be made within a reasonable time. These amounts are eliminated in the governmental columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances."

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and the employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy. All employees with the City are deemed vested.

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

In governmental funds, the liability for unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Accrued Liabilities and Long-term Obligations

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

M. Pensions/Other Postemployment Benefits (OPEB)

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

N. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At December 31, 2018, $314,886 of the City's net position was restricted by enabling legislation.

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

O. Fund Balance

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. City Council has by resolution authorized the City Auditor to assign fund balance. City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

P. 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 charges for services for water and sewer services. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating.

Q. Interfund Activity

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

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

R. Extraordinary and Special Items

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

S. Estimates

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

T. Budgetary Data

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

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

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

U. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, of grants or outside contributions of resources restricted to capital acquisition and construction.

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

New Accounting Principles

For the fiscal year ended December 31, 2018, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial reporting for Postemployment Benefits other than Pensions*, GASB Statement No. 85, *Omnibus 2017* and GASB Statement No. 86, *Certain Debt Extinguishments.*

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

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

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

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

	Governmental Activities	Business-Type Activities
Net Position, December 31, 2017	$ 19,999,021	$ 27,447,081
Adjustments:		
Net OPEB Liability	(7,589,893)	(1,164,080)
Deferred Outflow-Payments		
Subsequent to Measurement Date	40,769	14,807
Restated Net Position, December 31, 2017	$ 12,449,897	$ 26,297,808

	Water	Sewer	Total Business-Type Activities
Net Position, December 31, 2017	$ 12,774,188	$ 14,614,547	$ 27,388,735 *
Adjustments:			
Net OPEB Liability	(631,929)	(532,151)	(1,164,080)
Deferred Outflow-Payments			
Subsequent to Measurement Date	8,038	6,769	14,807
Restated Net Position, December 31, 2017	$ 12,150,297	$ 14,089,165	$ 26,239,462

*Excludes internal service fund activity included with business-type activities. The internal service fund was not restated.

NOTE 3: FUND DEFICITS

Fund balances at December 31, 2018, included the following individual fund deficit: This deficit in the non-major fund resulted from adjustments for accrued liabilities.

	Deficit Fund Balance
Major Funds:	
USDA Loan	$ 123,192
Non-Major Funds:	
Victims of Crime Act (VOCA) Grant	1,154
State Victim Assistance Academy (SVAA) Grant	2,646
Cemetery	12,123
EMHA Grant	564

The general fund is liable for any deficit in these funds and provides transfers when cash is required, rather than when accruals occur.

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

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

The Statements of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund and the major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

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

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

3. Encumbrances are treated as expenditure/expenses (budget) rather than as an assigned fund balance (GAAP).

4. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general, fire, street improvement and CHIP funds.

Net Change in Fund Balance

	General	Fire	Street Improvement	CHIP
GAAP Basis	$ (376,652)	$ (82,652)	(248,920)	(166,946)
Net Adjustment for Revenue Accruals	218,065	17,081	29,477	50,193
Net Adjustment for Expenditure Accruals	74,026	19,237	44,187	(11,900)
Funds Budgeted Elsewhere	(2,406)	0	0	0
Adjustment for Encumbrances **	(81,477)	(14,302)	(57,038)	0
Budget Basis	$ (168,444)	$ (60,636)	$ (232,294)	$ (128,653)

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes municipal airport fund, tree fund, park user fee reserve fund, recreation special activities fund, municipal trust fund, and indirect cost fund.

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Interim monies may be deposited or invested in the following securities:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guarantee as to principal or interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities.

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2 percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bond and other obligations of the State of Ohio;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

6. The State Treasurer's Investment Pool (STAR Ohio).

7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days and two hundred and seventy days, respectively, from the purchase date in any amount not to exceed 40 percent of the interim monies available for investment at any one time; and

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

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

Deposits - At year-end, $7,346,543 of the City's bank balance of $7,846,543 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the City's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

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

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

- Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

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

Ratings by S&P Gobel Ratings	Investment	Measurement Amount	Investment Maturities in Months 0-12	13-36	Over 36	% Total
	Net Asset Value (NAV):					
AAAm	STAR Ohio	$ 2,069,017	$ 2,069,017	$ 0	$ 0	16.7%
AAAm	First American Government Obligations	9,241	9,241	0	0	0.1%
	Fair Value:					
AA+	Federal Home Loan Mortgage	2,725,426	694,381	933,726	1,097,319	22.0%
Aaa	Federal Farm Credit Bank	762,049	0	762,049	0	6.2%
Aaa	Federal National Mortgage Association MTN	1,374,497	0	1,374,497	0	11.1%
Aaa	Federal National Mortgage Association	692,956	447,138	245,818	0	5.6%
Aaa	Federal Home Loan Banks	425,392	0	244,725	180,667	3.4%
N/A	Negotiable Certificates of Deposit	2,271,370	829,760	727,402	714,208	18.3%
P-1	Commercial Paper	2,058,511	2,058,511	0	0	16.6%
	Total Investments	$ 12,388,459	$ 6,108,048	$ 4,288,217	$ 1,992,194	100.0%

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2018. The City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

Interest Rate Risk The City has no investment policy to address interest rate risk in place at this time.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. The weighted average of maturity of the portfolio held by STAR Ohio as of December 31, 2018, is 45 days.

Credit Risk The table above includes the percentage to total of each investment type held by the City at December 31, 2018. All federal agency bonds and notes had a rating of AA+ from S&P Global Ratings.

NOTE 6: TAXES

A. Property Taxes

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

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

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was $13.70 per $1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	$ 153,961,710
Public Utilities	8,841,940
Total Assessed Value	$ 162,803,650

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

B. Income Taxes

The City levies a tax of 2.0 percent on all salaries, wages, commissions and other compensation, and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed.

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

NOTE 7: RECEIVABLES

Receivables at December 31, 2018 consisted of taxes, accounts, loans, special assessments and intergovernmental receivables arising from shared revenues.

The other governmental funds reflect loans receivable of $6,942. These loans receivable are for financing the rehabilitation of homes to low and moderate income families and loans to local businesses for community development. The fund balance representing revolving loans receivable is restricted because it is not appropriable for expenditures, or is legally segregated for specific use.

NOTE 8: INTERFUND TRANSFERS

Following is a summary of transfers in and out for all funds for 2018:

Fund	Transfers In	Transfers Out
General Fund	$ 0	$ 230,600
Non-Major Governmental Funds:		
VOCA Grant	1,600	0
Cemetery	229,000	0
Total All Funds	$ 230,600	$ 230,600

The transfers from the General Fund to the various other funds were to provide additional resources for current operations.

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NOTE 9: CAPITAL ASSETS

A summary of changes in capital assets during 2018 follows:

	Balance 12/31/17	Additions	Deletions	Transfers	Balance 12/31/2018
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land	$ 2,635,811	$ 39,618	$ 0	$ 0	$ 2,675,429
Construction in Progress	851,092	2,840,253	(1,975,916)	0	1,715,429
Total Capital Assets Not Being Depreciated	3,486,903	2,879,871	(1,975,916)	0	4,390,858
Capital Assets, Being Depreciated:					
Land Improvements	121,584	0	0	0	121,584
Buildings	7,405,380	2,029,265	0	0	9,434,645
Improvements Other Than Buildings	2,277,993	165,086	(32,722)	(17,594)	2,392,763
Machinery and Equipment	2,525,050	337,506	(54,977)	17,594	2,825,173
Furniture and Fixtures	69,848	0	0	0	69,848
Vehicles	2,668,114	134,535	(38,139)	0	2,764,510
Infrastructure	29,033,359	0	0	0	29,033,359
Total Capital Assets, Being Depreciated	44,101,328	2,666,392	(125,838)	0	46,641,882
Less Accumulated Depreciation:					
Land Improvements	(97,082)	(2,451)	0	0	(99,533)
Buildings	(2,371,790)	(216,499)	0	0	(2,588,289)
Improvements Other Than Buildings	(1,704,241)	(34,334)	32,722	0	(1,705,853)
Machinery and Equipment	(1,901,606)	(137,528)	54,977	0	(1,984,157)
Furniture and Fixtures	(49,415)	(2,987)	0	0	(52,402)
Vehicles	(1,439,025)	(376,684)	36,380	0	(1,779,329)
Infrastructure	(11,468,032)	(1,056,031)	0	0	(12,524,063)
Total Accumulated Depreciation	(19,031,191)	(1,826,514) *	124,079	0	(20,733,626)
Total Capital Assets Being Depreciated, Net	25,070,137	839,878	(1,759)	0	25,908,256
Total Governmental Activities Capital Assets, Net	$ 28,557,040	$ 3,719,749	$ (1,977,675)	$ 0	$ 30,299,114

*Depreciation expense was charged to governmental functions as follows:

General Government	$ 109,753
Leisure Time Services	106,071
Security of Persons and Property	449,798
Transportation	1,135,361
Public Health	25,531
Total	$ 1,826,514

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 201,041	$ 50,105	$ 0	$ 251,146
Construction in progress	516,899	1,235,727	(1,554,619)	198,007
Total Capital Assets Not Being Depreciated	717,940	1,285,832	(1,554,619)	449,153
Capital Assets, Being Depreciated:				
Buildings	10,334,940	0	0	10,334,940
Improvements Other Than Buildings	9,751,557	0	0	9,751,557
Machinery and Equipment	2,172,632	364,961	0	2,537,593
Furniture and Fixtures	151,021	0	0	151,021
Vehicles	585,718	0	0	585,718
Water Lines	5,865,182	1,416,529	0	7,281,711
Sewer Lines	7,766,903	311,262	0	8,078,165
Total Capital Assets, Being Depreciated	36,627,953	2,092,752	0	38,720,705
Less Accumulated Depreciation:				
Buildings	(8,280,343)	(361,147)	0	(8,641,490)
Improvements Other Than Buildings	(4,291,310)	(189,958)	0	(4,481,268)
Machinery and Equipment	(1,334,152)	(139,397)	0	(1,473,549)
Furniture and Fixtures	(116,092)	(23,286)	0	(139,378)
Vehicles	(557,253)	(14,275)	0	(571,528)
Water Lines	(2,059,518)	(114,887)	0	(2,174,405)
Sewer Lines	(3,074,203)	(105,576)	0	(3,179,779)
Total Accumulated Depreciation	(19,712,871)	(948,526)	0	(20,661,397)
Total Capital Assets Being Depreciated, Net	16,915,082	1,144,226	0	18,059,308
Total Business-Type Activities Capital Assets, Net	$ 17,633,022	$ 2,430,058	$ (1,554,619)	$ 18,508,461

NOTE 10: DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $629,422 for 2018. Of this amount, $67,804 is reported as an intergovernmental payable.

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

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.

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

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

	Police	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 $599,028 for 2018. Of this amount, $60,906 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2018, the specific liability of the City was $373,130 payable in semi-annual payments through the year 2035.

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

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OPF	Total
Proportion of the Net Pension Liability:			
Current Measurement Period	0.032138%	0.121527%	
Prior Measurement Period	0.033032%	0.114352%	
Change in Proportion	-0.000894%	0.007175%	
Proportionate Share of the Net Pension Liability	$ 5,041,871	$ 7,458,666	$ 12,500,537
Pension Expense	$ 971,603	$ 871,411	$ 1,843,014

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

	OPERS	OPF	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 5,149	$ 113,191	$ 118,340
Changes of Assumptions	602,534	325,014	927,548
Changes in Proportionate Share	27,725	356,437	384,162
City Contributions Subsequent to the Measurement Date	629,422	599,028	1,228,450
Total Deferred Outflows of Resources	$ 1,264,830	$ 1,393,670	$ 2,658,500
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 99,358	$ 13,492	$ 112,850
Net Difference between Projected and Actual Earnings on Pension Plan Investments	1,082,424	258,014	1,340,438
Changes in Proportionate Share	186,331	389,704	576,035
Total Deferred Inflows of Resources	$ 1,368,113	$ 661,210	$ 2,029,323

$1,228,450 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2019	$ 343,851	$ 162,016	$ 505,867
2020	(157,672)	94,184	(63,488)
2021	(474,102)	(173,053)	(647,155)
2022	(444,782)	(125,251)	(570,033)
2023	0	139,725	139,725
Thereafter	0	35,811	35,811
	$ (732,705)	$ 133,432	$ (599,273)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following key actuarial assumptions and methods applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017 are presented below.

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

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

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

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

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

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's Proportionate Share of the Net Pension Liability	$ 8,953,079	$ 5,041,871	$ 1,781,103

Actuarial Assumptions – OPF

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

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below:

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

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

Age	Police	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 prior experience study was completed December 31, 2011.

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

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
Domestic Equity	16.00 %	4.22 %	5.39 %
Non-US Equity	16.00	4.41	5.59
Private Markets	8.00	6.67	8.08
Core Fixed Income*	23.00	1.57	2.71
High Yield Fixed Income	7.00	2.94	4.71
Private Credit	5.00	6.93	7.26
U.S. Inflation Linked Bonds*	17.00	0.98	2.52
Master Limited Partnerships	8.00	7.50	7.93
Real Assets	8.00	6.88	7.24
Private Real Estate	12.00	5.58	6.34
Total	120.00 %		

Note: Assumptions are geometric.
* Levered 2x
** Numbers are net of expected inflation

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

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's Proportionate Share of the Net Pension Liability	$ 10,339,660	$ 7,458,666	$ 5,108,943

NOTE 11 – DEFINED BENEFIT OPEB PLAN

Net OPEB Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

Ohio Public Employees Retirement System

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

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

In order to qualify for health care coverage, age-and-service retirees under the traditional and combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. 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.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's had no contractually required contribution 2018.

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

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

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

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

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

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

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

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

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

The City's contractually required contribution to OP&F was $14,177 for 2018. Of this amount, $1,446 is reported as an intergovernmental payable.

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

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

	OPERS	OPF	Total
Proportion of the Net OPEB Liability:			
Current Measurement Period	0.031951%	0.121527%	
Prior Measurement Period	0.032929%	0.114352%	
Change in Proportion	-0.000978%	0.007175%	
Proportionate Share of the Net OPEB Liability	$ 3,469,599	$ 6,885,556	$ 10,355,155
OPEB Expense	$ 255,954	$ 581,825	$ 837,779

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

	OPERS	OPF	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 2,703	$ 0	$ 2,703
Changes of Assumptions	252,624	671,883	924,507
Changes in Proportionate Share	9,130	297,140	306,270
City Contributions Subsequent to the Measurement Date	0	14,177	14,177
Total Deferred Outflows of Resources	$ 264,457	$ 983,200	$ 1,247,657
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 34,728	$ 34,728
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	258,462	45,324	303,786
Changes in Proportionate Share	75,987	0	75,987
Total Deferred Inflows of Resources	$ 334,449	$ 80,052	$ 414,501

$14,177 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2019	$ 25,491	$ 125,262	$ 150,753
2020	25,891	125,262	151,153
2021	(56,757)	125,262	68,505
2022	(64,617)	125,262	60,645
2023	0	136,593	136,593
Thereafter	0	251,330	251,330
	$ (69,992)	$ 888,971	$ 818,979

Actuarial Assumptions - OPERS

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

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

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

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

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

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

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

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

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

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

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's Proportionate Share of the Net OPEB Liability	$ 4,609,512	$ 3,469,599	$ 2,547,421

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

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

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	$ 3,319,667	$ 3,469,599	$ 3,624,476

Actuarial Assumptions – OP&F

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

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

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

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

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent
Single discount rate:	
Currrent measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.20 percent simple for increased based on the lesser of the increase in CPI and 3.00 percent

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

Age	Police	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 prior experience study was completed December 31, 2011.

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

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

Note: Assumptions are geometric.
* Levered 2x

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

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

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

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's Proportionate Share of the Net OPEB Liability	$ 8,607,020	$ 6,885,556	$ 5,560,954

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

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

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

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	$ 5,348,819	$ 6,885,556	$ 8,956,543

Changes between Measurement Date and Report Date

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

NOTE 12: COMMITMENTS

A. Contractual Commitments

The City had the following contractual commitment outstanding at December 31, 2018.

	Contractual Commitment	Expended	Balance 12/31/2018
Governmental-Type Activities:			
Clark Street Project	$ 347,000	$ 292,695	$ 54,305
New Police Station	1,594,632	1,532,249	62,383
Steubenville Avenue Project	465,365	69,536	395,829
Business-Type Activities:			
Wet Well HVAC Design	25,000	24,319	681
Sewer Replacement at East Wheeling	28,650	26,061	2,589
Brown Heights Addition	1,362,853	355,779	1,007,074
Clark Street Replacement	54,285	50,587	3,698
Edgeworth Waterline Replacement	139,000	97,040	41,960
Total	$ 4,016,785	$ 2,448,266	$ 1,568,519

Contractual commitments identified above may or may not be included in the outstanding encumbrance commitments disclosed in this note. Reasons for this may include timing of when contracts are encumbered and contracts paid from enterprise funds, which are not required to disclose encumbrance commitments.

B. Other Commitments

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

Fund	Amount
General Fund	$ 88,142
Street Improvement Fund	12,851
Other Governmental Funds	29,506
Total	$ 130,499

NOTE 13: COMPENSATED ABSENCES

All full-time City employees earn sick leave at the rate of 4.6 hours for each completed eighty (80) hours in active pay status, with the exception of the fire department employees. All fire department employees working 24 hour crew shifts accumulate 14 hours of sick leave per pay period. Upon retirement from the City, employees with five (5) years of service or more with the City receive a lump sum settlement for unused sick leave at the rate of one-half (1/2) of all unused sick leave or a maximum of 60 days or 480 hours. In addition, any union employees who retires or is laid-off after ten (10) years of service, is eligible to receive 10 percent of all sick time in excess of 960 hours. The payment is based upon a maximum of sixty (60) days at the employee's hourly rate of compensation at the time of retirement.

City employees earn vacation at various rates depending on length of service. The City requires each employee to work one full year prior to permitting the use of vacation leave. Consequently, all employees' vacation leave earned is carried forward to the succeeding calendar year and only lost if not used by the end of that calendar year, except for police officers. Police officers can carryover vacation balance up to three years. Upon separation, an employee is paid for unused vacation earned in the year prior to their retirement plus any current year vacation earned through their retirement date. As of December 31, 2018 the liability for estimated unpaid compensated absences was $1,071,993.

NOTE 14: LONG-TERM OBLIGATIONS

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
General Obligation Bonds:			
Courthouse Facilities Improvement Bonds-2009			
Capital Appreciation Bonds	35.50%	19,656	12/1/2019
Term Bonds	3.75%-4.50%	3,210,000	12/1/2037
Courthouse Facilities Improvement Refunding Bonds-2017			
Serial Bonds	2.00%-3.00%	1,220,000	12/1/2027
Term Bonds	3.00-4.00%	1,995,000	12/1/2037
Ohio Public Works Commission Loan:			
Continuous Street Improvements	0.00%	72,911	1/1/2023
Ohio Public Works Commission Loan:			
USDA Loan	2.75%	3,000,000	9/1/2047
Installment Loan	2.50%	500,000	5/23/2020
Business-Type Activities:			
Ohio Public Works Commission Loan:			
Water Treatment Plant Filter Rehabilitation - 2002	0.00%	184,457	1/1/2022
Ohio Water Development Authority Loans:			
Water Line Replacement - 2011	3.77%	1,187,512	7/1/2041
Brown Heights Waterline Replacement	2.58%	1,006,815	7/1/2038
Trihalomethane Removal System	2.90%	1,650,320	7/1/2028
Waste Water Treatment Plant Improvements - 2015	3.04%	1,527,847	1/1/2027

Changes in long-term obligations of the City during the year ended December 31, 2018 consisted of the following:

	Restated Principal Balance 12/31/2017	Additions	Reductions	Principal Balance 12/31/2018	Due in One Year
Governmental Activities					
General Obligation Bonds:					
2009 Courthouse Facilities Improvement Bonds					
Capital Appreciation Bonds	$ 10,886	$ 0	$ (6,325)	$ 4,561	$ 4,561
Accretion on Capital Appreciation Bonds	148,879	58,054	(118,675)	88,258	88,258
2017 Courthouse Facilities Improvement Refunding Bonds					
Serial and Term Bonds	3,215,000	0	(20,000)	3,195,000	10,000
Unamortized Premium	203,611	0	(10,181)	193,430	0
Total General Obligation Bonds	3,578,376	58,054	(155,181)	3,481,249	102,819
OPWC Loan:					
Continuous Street Improvement	35,155	0	(7,031)	28,124	7,031
Other Long-Term Obligations:					
Compensated Absences	821,024	65,198	(30,132)	856,090	84,570
USDA Loan	521,965	1,829,407	0	2,351,372	68,968
Installment Loan	431,967	0	(38,061)	393,906	39,519
Capital Leases	643,671	153,755	(345,983)	451,443	313,209
Accrued Police and Fire Pension Liability	388,532	0	(15,402)	373,130	16,064
Net Pension Liability:					
OPERS	12,118,560	0	(1,433,096)	10,685,464	0
OPEB	7,589,893	1,516,206	0	9,106,099	0
Total Other Long-Term Obligations	22,515,612	3,564,566	(1,862,674)	24,217,504	522,330
Total Governmental Activities Long-Term Debt and Other Long-Term Obligations	$ 26,129,143	$ 3,622,620	$ (2,024,886)	$ 27,726,877	$ 632,180

	Restated Principal Balance 12/31/2017	Additions	Reductions	Principal Balance 12/31/2018	Due in One Year
OWDA Loans:					
Water Line Replacement	$ 1,029,598	$ 0	$ (27,880)	$ 1,001,718	$ 28,941
WWTP Improvements	1,394,958	0	(136,958)	1,258,000	141,154
Sludge Facilities	139,285	0	(139,285)	0	0
Brown Heights Waterline Replacement	0	1,006,815	(19,391)	987,424	39,535
Trihalomethane Removal System	0 `	5,760	(71,721)	(65,961) *	0
Total OWDA Loans	2,563,841	1,012,575	(395,235)	3,181,181	209,630
OPWC Loan:					
Water Treatment Plant Filter Rehabilitation	36,892	0	(9,223)	27,669	9,223
Total Business-Type Activities Long-Term Debt	2,600,733	1,012,575	(404,458)	3,208,850	218,853
Other Long-Term Obligations:					
Compensated Absences	202,211	23,950	(10,258)	215,903	12,657
Capital Leases	22,578	50,443	(39,989)	33,032	16,225
Net Pension Liability					
OPERS	2,625,355	0	(810,282)	1,815,073	0
OPEB	1,164,080	84,976	0	1,249,056	0
Total Other Long-Term Lialbilities	4,014,224	159,369	(860,529)	3,313,064	28,882
Total Business-Type Activities Long-Term Debt and Other Long-Term Obligations	$ 6,614,957	$ 1,171,944	$ (1,264,987)	$ 6,521,914	$ 247,735

*Loan payment was made prior to drawdowns due to timing between project reimbursement requests and payment due dates in the loan agreement.

2009 Courthouse Facilities Improvement Bonds

On September 30, 2009, the City issued $3,999,656 of general obligation bonds which included serial, term and capital appreciation (deep discount) bonds in the amount of $770,000, $3,210,000 and $19,656, respectively. The bonds were issued for the purpose of construction of a new municipal court building, equipment, furnishings and site improvements. The bonds were issued for a twenty-eight year period with a final maturity at December 1, 2037. The 2009 serial and term bonds were refunded in 2017.

The capital appreciation bonds mature December 1, 2017 through December 1, 2019. These bonds were purchased at a substantial discount at the time of issuance. At maturity, all compounded interest is paid and the bond holder receives the face value of the bond. As the value of the bond increases, the accretion is reflected as principal liability. The maturity amount of the bonds is $375,000. For 2018, the accretion amount was $58,054.

2017 Courthouse Facilities Improvement Refunding Bonds

On December 18, 2017, the City issued $3,215,000 in general obligation bonds, which included serial and term bonds in the amount of $1,220,000 and $1,995,000, respectively. The bonds advance refunded $3,210,000 of outstanding 2009 Courthouse Facilities Improvement Bonds. The bonds were issued for a twenty year period final maturity at December 1, 2037.

At the date of refunding, $3,418,611 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, $3,210,000 of the 2009 Series Bonds are considered to be defeased. The liability of the bonds was removed from the financial statements at the time of the refunding. The advance refunding reduced cash flows required for debt service by $424,543 over the next twenty years and resulted in an economic gain of $272,449. The $3,210,000 of the defeased bonds will be called on June 1, 2019.

The refunding bonds were issued with a premium of $203,611. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of $120,405. The issuance resulted in a difference (savings) between the cash flows required to service the old debt and the cash flows required to service the new debt of $353,113. The issuance resulted in an economic gain of $272,449.

In 2012 the City received loan proceeds of $67,711 from Ohio Public Works Commission (OPWC) for continuous street improvements which the City determined did not meet capitalization requirements. The loan has a zero interest rate. The final installment is due on January 1, 2023.

On February 14, 2014, the City entered into an installment loan for $200,000 with Peoples Bank for a business loan. On May 31, 2016 the City added an additional $300,000 to the loan. As of December 31, 2018, the City only borrowed $393,906. A principal and interest payment is due on May 23, 2019 with the entire principal being payable on May 23, 2020.

In 2017 the City entered into an Untied States Department of Agriculture Loan the purpose of purchasing and remodeling a building to house the administrative offices. The City can borrow up to $3,000,000, as of December 31, 2018 the City had drawn down $2,351,372. The first principal and interest payment is due September 1, 2019. The amortization schedule presented is based on the City borrowing the entire $3,000,000.

The City's liability for past service costs related to the Police and Firemen's Pension Fund at December 31, 2018 was $522,486 in principal and interest payments through the year 2037. Only the principal amount of $373,130 is included in the Governmental Activities as a long-term liability. Payments are made from property tax receipted into the police and fire pension special revenue funds.

General obligation bonds will be paid from tax revenues in the debt service fund. The governmental OPWC loan will be paid from the street improvement fund. The installment loan is being paid by the code violation special revenue fund. The USDA loan will be paid from the general fund. Governmental compensated absences will be paid from fund from which the employees' salaries are paid, which is primarily the general, street, fire and cemetery fund.

The business-type Ohio Public Works Commission (OPWC) loan and the Ohio Water Development Authority (OWDA) loans will be paid from charges for services from the water and sewer funds.

Business-type compensated absences will be paid from general operating revenues of the water and sewer funds.

The capital leases are paid from the general, street, fire and public lands capital improvement funds.

There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund and water and sewer funds. For additional information related to the net pension liability and net OPEB liability see Notes 10 and 11. The City entered into an OWDA loan in 2018 for a water line replacement at Brown Heights. The loan is for $1,006,815.

The City entered into an OWDA loan in 2018 for a trihalomethane removal system. The loan is for $1,644,560. As of December 31, 2018 $5,760 had been drawn down by the City. OWDA required the City to make a principal of $71,721 in 2018, which left the loan with a negative balance of $65,961 at December 31, 2018. There is no amortization schedule available for this loan.

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay $3,208,850 of Ohio Public Works Commission (OPWC) loans and Ohio Water Development Authority (OWDA) loans. Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which was 33.81 percent. The total principal and interest remaining to be paid on the loans is $4,211,897. Principal and interest paid for the current year and total net revenues were $523,395 and $1,547,809 respectively.

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The annual requirements to retire governmental activities debt are as follows:

	Accrued Pension Liability		General Obligation Bonds		Capital Appreciation Bonds	
Years	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 16,064	$ 15,689	$ 10,000	$ 110,100	$ 4,561	$ 120,439
2020	16,753	14,999	135,000	109,900	0	0
2021	17,473	14,280	140,000	105,850	0	0
2022	18,224	13,529	145,000	101,650	0	0
2023	19,006	12,746	150,000	97,300	0	0
2024-2028	108,001	50,761	790,000	420,500	0	0
2029-2033	133,275	25,488	940,000	274,600	0	0
2034-2038	44,334	1,867	885,000	90,200	0	0
Totals	$ 373,130	$ 149,359	$ 3,195,000	$ 1,310,100	$ 4,561	$ 120,439

	USDA Loan		OPWC	Installment Loan		Total	
Years	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2019	$ 68,968	$ 82,500	$ 7,031	$ 39,519	$ 9,984	$ 146,143	$ 338,712
2020	70,865	80,824	7,031	354,387	9,007	584,036	214,730
2021	72,813	78,655	7,031	0	0	237,317	198,785
2022	74,816	76,652	7,031	0	0	245,071	191,831
2023	76,873	74,595	0	0	0	245,879	184,641
2024-2028	417,264	340,448	0	0	0	1,315,265	811,709
2029-2033	477,880	279,605	0	0	0	1,551,155	579,693
2034-2038	547,304	210,151	0	0	0	1,476,638	302,218
2039-2043	626,813	131,608	0	0	0	626,813	131,608
2044-2047	566,404	39,511	0	0	0	566,404	39,511
Totals	$ 3,000,000	$ 1,394,549	$ 28,124	$ 393,906	$ 18,991	$ 6,994,721	$ 2,993,438

The annual requirements to retire business-type activities debt are as follows:

	OWDA Loans		OPWC Loan	Total	
Years	Principal	Interest	Principal	Principal	Interest
2019	$ 209,630	$ 99,895	$ 9,223	$ 218,853	$ 99,895
2020	216,081	93,444	9,223	225,304	93,444
2021	222,734	86,792	9,223	231,957	86,792
2022	229,595	79,931	0	229,595	79,931
2023	236,668	72,857	0	236,668	72,857
2024-2028	932,543	258,418	0	932,543	258,418
2029-2033	495,902	160,063	0	495,902	160,063
2034-2038	546,892	76,691	0	546,892	76,691
2039-2041	157,097	8,995	0	157,097	8,995
Totals	$ 3,247,142	$ 937,086	$ 27,669	$ 3,274,811	$ 937,086

NOTE 15: CAPITAL LEASES – LESSEE DISCLOSURE

In 2018 the City entered into a lease agreement for an excavator and three police cruisers in the amount of $75,663 and $128,534, respectively. The excavator will be paid from the street, water and sewer funds equally. The police cruisers will be paid out of the public land capital improvement fund. In prior years, the City entered into capitalized leases for the acquisition of ladder fire truck, case wheel loader and a street sweeper. These leases meet the criteria of a capital lease as they transfer benefits and risks of ownership to the lessee.

The assets acquired by the leases have been capitalized in the amount of $1,590,339, which is equal to the present value of the future minimum lease payments at the time of acquisition. Accumulated depreciation was $597,860 as of December 31, 2018, leaving a current book value of $992,479. A corresponding liability is recorded and is reduced for each required principal payment.

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

		Governmental Activities	Business-type Activities
Year Ending December 31:	2019	$ 328,571	$ 17,411
	2020	100,813	17,410
	2021	45,721	0
Minimum lease payments		475,105	34,821
Less: amount representing interest at the City's incremental borrowing rate of interest		(23,662)	(1,789)
Present value of minimum lease payments		$ 451,443	$ 33,032

NOTE 16: INSURANCE AND RISK MANAGEMENT

Self-Insurance

The City maintains a self-funded dental and vision insurance program and for the deductible portion of their health insurance plan with claims processed by administrators on behalf of the City. A separate Self-Insurance Fund (an internal service fund) was created in 1989 to account for and finance the insurance program.

All funds of the City from which employee salaries are paid participate in the dental and vision insurance program and the deductible portion of the health insurance plan and make payments to the Self-Insurance Fund. Total contributions to the program during the year were $427,744. The claims liability of $5,961 reported in the Self-Insurance Fund at December 31, 2018 is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the City's claims liability amount in during 2017 and 2018 were as follows:

Year	Beginning of Year Liability	Claims Expense	Claims Payments	Balance of Liability at Year End
2018	$ 5,658	$ 374,732	$ 374,429	$ 5,961
2017	9,227	400,779	404,348	5,658

Risk Pool Membership

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

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017 (the latest information available), PEP retained $350,000 for casualty claims and $100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017 and 2016.

Casualty Coverage	2016	2017
Assets	$ 42,182,281	$ 44,452,326
Liabilities	(13,396,700)	(13,004,011)
Net Position	$ 28,785,581	$ 31,448,315

At December 31, 2017 and 2016, respectively, the liabilities above include approximately $12.0 million and $11.8 million of estimated incurred claims payable. The assets above also include approximately $11.2 million and $11.5 million of unpaid claims to be billed. The Pool's membership increased from 520 members in 2016 to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. At December 31, 2017, the City's share of these unpaid claims collectible in future years is approximately $109,461 (the latest information available).

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

Contributions to PEP	
2016	168,350
2017	173,747
2018	177,947

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

Workers Compensation

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per $100 of payroll. The rate is determined based on accident history and administrative costs.

NOTE 17: CONDUIT DEBT OBLIGATIONS

From time to time, the City has issued Revenue Bonds to provide financial assistance to the City's hospital facilities and retirement housing. The monies are used primarily for upgrades to these facilities. The City has no obligation for the repayment of this debt. The bonds are not bond indebtedness of the City and are therefore not reported on the City's balance sheet. At December 31, 2018, there were three series of revenue bonds outstanding for the hospital and one series for retirement housing with a principal amount payable of $6,235,000 and $2,959,175, respectively.

NOTE 18: CONTINGENCIES

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

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

NOTE 19: FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General Fund	Fire Fund	Street Improvement Fund	USDA Loan Fund	Other Governmental Funds	Total
Nonspendable for:						
Materials and Supplies Inventory	$ 0	$ 0	$ 0	$ 0	$ 24,000	$ 24,000
Prepaid Items	10,039	828	0	0	2,296	13,163
Unclaimed Monies	42,326	0	0	0	0	42,326
Total Nonspendable	52,365	828	0	0	26,296	79,489
Restricted for:						
Capital Outlay	0	0	0	0	102,572	102,572
Motor Vehicle & Gasoline Tax	0	0	0	0	92,761	92,761
Street Improvement	0	0	532,857	0	0	532,857
Street Fund	0	0			665,102	665,102
Special Projects	0	0	0	0	293,801	293,801
Debt Service	0	0	0	0	59,737	59,737
Municipal Court	0	0	0	0	12,852	12,852
FEMA	0	0	0	0	5,586	5,586
Northwood Cemetary	0	0	0	0	1,206,443	1,206,443
Fire	0	328,401	0	0	0	328,401
Other Purposes	0	0	0	0	623,536	623,536
Total Restricted	0	328,401	532,857	0	3,062,390	3,923,648
Committed for:						
Park Side Tasty Treat	0	0	0	0	11,067	11,067
Code Violation	0	0	0	0	57,907	57,907
Fire Capital Equipment	0	0	0	0	118,818	118,818
Capital Improvement	0	0	0	0	256,893	256,893
Total Committed	0	0	0	0	444,685	444,685
Assigned for:						
Encumbrances						
General Government	9,465	0	0	0	0	9,465
Security of Persons & Property	549	0	0	0	0	549
Community Development	4,453	0	0	0	0	4,453
Leisure Time Activities	19,182	0	0	0	0	19,182
Other Purposes	214,678	0	0	0	0	214,678
Subsequent Year Appropriations	1,151,575	0	0	0	0	1,151,575
Total Assigned	1,399,902	0	0	0	0	1,399,902
Unassigned	169,740	0	0	(123,192)	(16,487)	30,061
Total Fund Balance	$ 1,622,007	$ 329,229	$ 532,857	$ (123,192)	$ 3,516,884	$ 5,877,785

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

	2018	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)					
City's Proportion of the Net Pension Liability	0.032138%	0.033032%	0.034506%	0.034485%	0.034485%
City's Proportionate Share of the Net Pension Liability	$ 5,041,871	$ 7,500,959	$ 5,976,874	$ 4,159,276	$ 4,065,332
City's Covered Payroll	$ 4,230,400	$ 4,268,567	$ 4,294,375	$ 4,227,858	$ 3,235,331
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	119.18%	175.73%	139.18%	98.38%	125.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%
Ohio Police and Fire Pension Fund (OPF)					
City's Proportion of the Net Pension Liability	0.121527%	0.114352%	0.125081%	0.124645%	0.124645%
City's Proportionate Share of the Net Pension Liability	$ 7,458,666	$ 7,242,936	$ 8,046,549	$ 6,457,105	$ 6,070,578
City's Covered Payroll	$ 2,654,488	$ 2,455,940	$ 2,598,758	$ 2,469,624	$ 2,374,669
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	280.98%	294.92%	309.63%	261.46%	255.64%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	72.20%	73.00%

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

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

City of Cambridge
Guernsey County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - Pension
Last Six Years (1)

	2018	2017	2016	2015
Ohio Public Employees' Retirement System (OPERS)				
Contractually Required Contribution	$ 629,422	$ 549,952	$ 512,228	$ 515,325
Contributions in Relation to the Contractually Required Contribution	(629,422)	(549,952)	(512,228)	(515,325)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
City's Covered Payroll	$ 4,495,871	$ 4,230,400	$ 4,268,567	$ 4,294,375
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%
Ohio Police and Fire Pension Fund (OPF)				
Contractually Required Contribution	$ 599,028	$ 561,873	$ 520,431	$ 549,101
Contributions in Relation to the Contractually Required Contribution	(599,028)	(561,873)	(520,431)	(549,101)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
City's Covered Payroll	$ 2,835,467	$ 2,654,488	$ 2,455,940	$ 2,598,758
Contributions as a Percentage of Covered Payroll	21.13%	21.17%	21.19%	21.13%

(1) Although this schedule is intended to reflect ten years, information prior to 2013 is not available.

2014		2013	
$	507,343	$	420,593
	(507,343)		(420,593)
$	0	$	0
$	4,227,858	$	3,235,331
	12.00%		13.00%
$	521,629	$	423,217
	(521,629)		(423,217)
$	0	$	0
$	2,469,624	$	2,374,669
	21.12%		17.82%

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

		2018		2017
Ohio Public Employees' Retirement System (OPERS)				
City's Proportion of the Net OPEB Liability		0.031951%		0.032929%
City's Proportionate Share of the Net OPEB Liability	$	3,469,599	$	3,325,941
City's Covered Payroll	$	4,230,400	$	4,268,567
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll		82.02%		77.92%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		54.14%		54.04%
Ohio Police and Fire Pension Fund (OPF)				
City's Proportion of the Net OPEB Liability		0.121527%		0.114352%
City's Proportionate Share of the Net OPEB Liability	$	6,885,556	$	5,428,032
City's Covered Payroll	$	2,654,488	$	2,455,940
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll		259.39%		221.02%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability		14.13%		15.96%

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

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

City of Cambridge
Guernsey County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Last Ten Years

	2018	2017	2016	2015
Ohio Public Employees' Retirement System (OPERS)				
Contractually Required Contribution	$ 0	$ 42,304	$ 85,371	n/a
Contributions in Relation to the Contractually Required Contribution	0	(42,304)	(85,371)	n/a
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	n/a
City's Covered Payroll (1)	$ 4,495,871	$ 4,230,400	$ 4,268,567	n/a
Contributions as a Percentage of Covered Payroll	0.00%	1.00%	2.00%	n/a
Ohio Police and Fire Pension Fund (OPF)				
Contractually Required Contribution	$ 14,177	$ 13,272	$ 12,280	$ 12,994
Contributions in Relation to the Contractually Required Contribution	(14,177)	(13,272)	(12,280)	(12,994)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
City's Covered Payroll	$ 2,835,467	$ 2,654,488	$ 2,455,940	$ 2,598,758
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

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

2014	2013	2012	2011	2010	2009
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
$ 43,010	$ 77,164	$ 154,641	$ 167,843	$ 159,369	$ 156,823
(43,010)	(77,164)	(154,641)	(167,843)	(159,369)	(156,823)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 2,469,624	$ 2,374,669	$ 3,352,453	$ 2,486,562	$ 2,361,014	$ 2,300,432
1.70%	3.25%	4.61%	6.75%	6.75%	6.82%

Note 1 - Net Pension Liability

Changes in Assumptions – OPERS

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

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

Changes in Assumptions – OP&F

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

Note 2 - Net OPEB Liability

Changes in Assumptions - OPERS

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

Changes in Assumptions – OPF

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

CITY OF CAMBRIDGE
GUERNSEY COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR ***Pass Through Grantor*** **Program / Cluster Title**	**Federal CFDA Number**	**Pass Through Entity Identifying Number**	**Total Federal Expenditures**
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed Through Ohio Development Services Agency:			
Community Development Block Grants	14.228	A-C-16-2AS-1	$221,220
Home Investment Partnerships Program	14.239	A-C-16-2AS-2	104,964
Total U.S. Department of Housing and Urban Development			326,184
U.S. DEPARTMENT OF JUSTICE			
Passed Through Ohio Attorney General's Office:			
Crime Victim Assistance	16.575	2018-VOCA-109856874	22,464
Total Crime Victim Assistance			22,464
Total U.S. Department of Justice			22,464
U.S. DEPARTMENT OF AGRICULTURE, RURAL HOUSING SERVICES OFFICE			
Direct Program			
Community Facilities Loans and Grants Cluster:			
Community Facilities Loans and Grants	10.766	N/A	1,829,407
Total Community Facilities Loans and Grants Cluster			1,829,407
Total U.S. Department of Agriculture, Rural Housing Services Office			1,829,407
Total Expenditures of Federal Awarc			**$2,178,055**

The accompanying notes are an integral part of this Schedule.

CITY OF CAMBRIDGE
GUERNSEY COUNTY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Cambridge, Guernsey County, Ohio (the City), under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

OHIO AUDITOR OF STATE
KEITH FABER

53 Johnson Road
The Plains, Ohio 45780-1231
(740) 594-3300 or (800) 441-1389
SoutheastRegion@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 Cambridge
Guernsey County
1131 Steubenville Avenue
Cambridge, Ohio 43725

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 Cambridge, Guernsey County, Ohio (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 23, 2019.

Internal Control Over Financial Reporting

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

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

September 23, 2019

OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City of Cambridge
Guernsey County
1131 Steubenville Avenue
Cambridge, Ohio 43725

To the City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Cambridge's, Guernsey County, Ohio (the City), compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City's major federal program for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying Schedule of Findings identifies the City's major federal program.

Management's Responsibility

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance**.**

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State
Columbus, Ohio

September 23, 2019

CITY OF CAMBRIDGE
GUERNSEY COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):** • Community Facilities Loans and Grants Cluster: Community Facilities Loans and Grants – CFDA #10.766	
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	Yes

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

None

3. FINDINGS FOR FEDERAL AWARDS

None

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OHIO AUDITOR OF STATE
KEITH FABER

CITY OF CAMBRIDGE

GUERNSEY 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 26, 2019

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