



Dave Yost • Auditor of State

OHIO AUDITOR OF STATE KEITH FABER



January 22, 2019

The attached audit report was completed and prepared for release prior to the commencement of my term of office on January 14, 2019. Reports completed prior to that date contain the signature of my predecessor.

Ohio Auditor of State

A handwritten signature in cursive script that reads "Keith Faber".

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**CITY OF GREENVILLE
DARKE COUNTY**

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DARKE COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

City of Greenville
Darke County
100 Public Square
Greenville, Ohio 45331

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 Greenville, Darke County, Ohio (the City), as of and for the year ended December 31, 2017, 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 Greenville, Darke County, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2018, 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.



Dave Yost
Auditor of State
Columbus, Ohio

December 21, 2018

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

The management discussion and analysis of the City of Greenville's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance. As stated in Note 2 to the basic financial statements, the financial information contained in this report is presented in conformity with accounting principles generally accepted in the United States of America (GAAP). GAAP-basis financial information will differ from cash basis information as maintained by the City during the year.

Financial Highlights

Key financial highlights for 2017 are as follows:

- The total net position of the City increased \$762,962. Net position of the governmental activities increased \$249,767 or 1.60% from net position at December 31, 2016, and net position of the business-type activities increased \$513,195 or 1.53% from net position at December 31, 2016.
- General revenues accounted for \$9,731,697 of total governmental activities revenue. Program specific revenues accounted for \$1,807,813 or 15.67% of total governmental activities revenue.
- The City had \$11,264,743 in expenses related to governmental activities; program specific charges for services, grants and contributions offset \$1,807,813 of these expenses. The remaining expenses of the governmental activities of \$9,456,930 were funded by general revenues, primarily property taxes, income taxes and unrestricted grants and entitlements, of \$9,731,697.
- The general fund had revenues and other financing sources of \$9,892,747 in 2017. This represents an increase of \$758,959 from revenues in 2016. The expenditures and other financing uses of the general fund, which totaled \$9,446,882 in 2017, increased \$867,263 from 2016. The net increase in fund balance for the general fund was \$445,865 or 7.29%.
- The capital improvement plan fund, a major fund, had revenues and other financing sources of \$1,948,179 in 2017. The expenditures of the capital improvement fund totaled \$1,744,793 in 2017. The net increase in fund balance for the capital improvement plan fund was \$203,386 or 26.29%.
- Net position for the business-type activities, which are composed of the water, sewer, special park, swimming pool, storm water, and parking enterprise funds, increased in 2017 by \$513,195.
- In the general fund, actual budgetary-basis revenues and other financing sources were \$38,432 lower than final budgeted revenues and other financing sources and actual expenditures and other financing uses were \$2,141,081 lower than the final budget. These variances are the result of the City's conservative budgeting. Budgeted revenues and other financing sources increased \$1,514,244 between the original and the final budgets, while budgeted expenditures and other financing uses increased \$2,749,306 from the original to the final budget.

Using this Annual Financial Report

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

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the city perform financially during 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses of the City using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting includes all of the current year's revenues and expenses, regardless of when cash is received or paid.

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

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

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

Business-Type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of goods or services provided. The City's water, sewer, special park, swimming pool, storm water, and parking operations are reported here.

The government-wide statement of net position and statement of activities can be found on pages 18-20 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 12.

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

Governmental Funds

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Reconciliations are provided of the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to the net position of the governmental activities and the change in net position of the governmental activities, respectively, for comparative purposes.

The City maintains a variety of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and the capital improvement plan fund. Information for these major funds are presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the nonmajor governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements, including a budgetary statement for the general fund, are located on pages 21-25 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, special park, swimming pool, storm water, and parking functions. The City's major enterprise funds are the water, sewer, and storm water funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 26-33 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's only fiduciary fund is an agency fund. The basic fiduciary fund financial statement can be found on page 34 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 35-76 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability. The required supplementary information can be found on pages 77-83 of this report.

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position at December 31, 2017 and December 31, 2016.

	Net Position					
	Governmental	Business-Type	Governmental	Business-Type	2017	2016
	Activities 2017	Activities 2017	Activities 2016	Activities 2016	Total	Total
<u>Assets</u>						
Current and other assets	\$ 14,261,476	\$ 12,795,430	\$ 14,124,567	\$ 12,958,368	\$ 27,056,906	\$ 27,082,935
Capital assets, net	<u>15,021,043</u>	<u>22,825,875</u>	<u>14,200,903</u>	<u>22,019,975</u>	<u>37,846,918</u>	<u>36,220,878</u>
Total assets	<u>29,282,519</u>	<u>35,621,305</u>	<u>28,325,470</u>	<u>34,978,343</u>	<u>64,903,824</u>	<u>63,303,813</u>
<u>Deferred outflows of resources</u>						
Deferred charges on refunding	-	-	-	4,814	-	4,814
Pension	<u>2,388,690</u>	<u>755,119</u>	<u>2,687,187</u>	<u>583,183</u>	<u>3,143,809</u>	<u>3,270,370</u>
Total deferred outflows of resources	<u>2,388,690</u>	<u>755,119</u>	<u>2,687,187</u>	<u>587,997</u>	<u>3,143,809</u>	<u>3,275,184</u>
<u>Liabilities</u>						
Current liabilities	999,417	311,779	1,242,445	238,926	1,311,196	1,481,371
Net pension liability	10,101,932	1,873,293	10,233,084	1,460,908	11,975,225	11,693,992
Other long-term liabilities	<u>2,735,330</u>	<u>192,743</u>	<u>2,395,092</u>	<u>384,366</u>	<u>2,928,073</u>	<u>2,779,458</u>
Total liabilities	<u>13,836,679</u>	<u>2,377,815</u>	<u>13,870,621</u>	<u>2,084,200</u>	<u>16,214,494</u>	<u>15,954,821</u>
<u>Deferred inflows of resources</u>						
Property taxes	1,105,692	-	1,038,272	-	1,105,692	1,038,272
Payment in lieu of taxes	274,317	-	274,042	-	274,317	274,042
Pension	<u>587,459</u>	<u>34,562</u>	<u>212,427</u>	<u>31,288</u>	<u>622,021</u>	<u>243,715</u>
Total deferred inflows of resources	<u>1,967,468</u>	<u>34,562</u>	<u>1,524,741</u>	<u>31,288</u>	<u>2,002,030</u>	<u>1,556,029</u>
<u>Net position</u>						
Net investment in capital assets	13,617,860	22,652,986	12,177,528	21,745,554	36,270,846	33,923,082
Restricted	1,645,694	-	1,786,115	-	1,645,694	1,786,115
Unrestricted	<u>603,508</u>	<u>11,311,061</u>	<u>1,653,652</u>	<u>11,705,298</u>	<u>11,914,569</u>	<u>13,358,950</u>
Total net position	<u>\$ 15,867,062</u>	<u>\$ 33,964,047</u>	<u>\$ 15,617,295</u>	<u>\$ 33,450,852</u>	<u>\$ 49,831,109</u>	<u>\$ 49,068,147</u>

The City has adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

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

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

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

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

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

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

As a result of implementing GASB 68, the City is reporting a net pension liability, net pension asset and deferred inflows/outflows of resources related to pension on the accrual basis of accounting.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2017, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$49,831,109. At year-end, net position was \$15,867,062 and \$33,964,047 for the governmental activities and the business-type activities, respectively.

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 58.31% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and equipment, software, vehicles and infrastructure. The City's net investment in capital assets at December 31, 2017, was \$13,617,860 and \$22,652,986 in the governmental activities and the business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's net investment in capital assets has been reduced by the related debt to acquire the assets, 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.

As of December 31, 2017, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net position, \$1,645,694, represents resources that are subject to external restriction on how they may be used. The remaining balances of unrestricted net position in the governmental and the business-type activities of \$603,508 and \$11,311,061, respectively, may be used to meet the government's ongoing obligations to citizens and creditors.

The table on the following page shows the changes in net position for 2017 and 2016.

	Change in Net Position					
	Governmental	Business-type	Governmental	Business-type	2017 Total	2016 Total
	Activities 2017	Activities 2017	Activities 2016	Activities 2016		
<u>Revenues:</u>						
Program revenues:						
Charges for services	\$ 697,128	\$ 4,864,634	\$ 690,736	\$ 4,705,116	\$ 5,561,762	\$ 5,395,852
Operating grants and contributions	1,041,541	-	1,167,163	-	1,041,541	1,167,163
Capital grants and contributions	69,144	-	715,249	863,685	69,144	1,578,934
Total program revenues	<u>1,807,813</u>	<u>4,864,634</u>	<u>2,573,148</u>	<u>5,568,801</u>	<u>6,672,447</u>	<u>8,141,949</u>
General revenues:						
Property taxes	1,118,071	-	1,109,786	-	1,118,071	1,109,786
Income taxes	7,291,231	-	7,265,974	-	7,291,231	7,265,974
Payment in lieu of taxes	274,317	-	274,042	-	274,317	274,042
Permissive motor vehicle license tax	128,778	-	129,112	-	128,778	129,112
Unrestricted grants and entitlements	594,458	-	383,471	-	594,458	383,471
Investment earnings	66,876	97,913	25,217	45,001	164,789	70,218
Miscellaneous	257,966	74,326	57,930	42,484	332,292	100,414
Total general revenues	<u>9,731,697</u>	<u>172,239</u>	<u>9,245,532</u>	<u>87,485</u>	<u>9,903,936</u>	<u>9,333,017</u>
Total revenues	<u>11,539,510</u>	<u>5,036,873</u>	<u>11,818,680</u>	<u>5,656,286</u>	<u>16,576,383</u>	<u>17,474,966</u>

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

	Governmental Activities 2017	Business-type Activities 2017	Governmental Activities 2016	Business-type Activities 2016	2017 Total	2016 Total
<u>Expenses:</u>						
General government	2,139,683	-	2,438,720	-	2,139,683	2,438,720
Security of persons and property	5,674,338	-	5,587,064	-	5,674,338	5,587,064
Public health and welfare	16,334	-	502	-	16,334	502
Transportation	2,989,853	-	2,857,667	-	2,989,853	2,857,667
Community environment	8,470	-	425	-	8,470	425
Leisure time activity	259,895	-	267,694	-	259,895	267,694
Utility services	139,572	-	130,282	-	139,572	130,282
Interest and fiscal charges	36,598	-	44,800	-	36,598	44,800
Water	-	2,275,520	-	2,220,343	2,275,520	2,220,343
Sewer	-	1,702,894	-	1,430,352	1,702,894	1,430,352
Storm water	-	487,587	-	450,735	487,587	450,735
Special park	-	6,105	-	6,619	6,105	6,619
Swimming pool	-	76,572	-	68,237	76,572	68,237
Total expenses	<u>11,264,743</u>	<u>4,548,678</u>	<u>11,327,154</u>	<u>4,176,286</u>	<u>15,813,421</u>	<u>15,503,440</u>
Change in net position before transfers	<u>274,767</u>	<u>488,195</u>	<u>491,526</u>	<u>1,480,000</u>	<u>762,962</u>	<u>1,971,526</u>
Transfers	<u>(25,000)</u>	<u>25,000</u>	<u>(35,000)</u>	<u>35,000</u>	<u>-</u>	<u>-</u>
Change in net position	249,767	513,195	456,526	1,515,000	762,962	1,971,526
Net position at beginning of year	<u>15,617,295</u>	<u>33,450,852</u>	<u>15,160,769</u>	<u>31,935,852</u>	<u>49,068,147</u>	<u>47,096,621</u>
Net position at end of year	<u>\$ 15,867,062</u>	<u>\$ 33,964,047</u>	<u>\$ 15,617,295</u>	<u>\$ 33,450,852</u>	<u>\$ 49,831,109</u>	<u>\$ 49,068,147</u>

Governmental Activities

The net position of the governmental activities increased \$249,767 in 2017.

Security of persons and property, which primarily supports the operations of the police and fire departments, accounted for \$5,674,338 of the total expenses of the City. These expenses were partially funded by \$74,010 in direct charges to recipients of City services and \$4,840 in operating grants. Transportation expenses totaled \$2,989,853 and were funded by \$384,154 in direct charges to recipients of the City's services, \$981,057 in operating grants and \$69,144 in capital grants.

The State and federal government contributed to the City a total of \$1,041,541 in operating grants and contributions and \$69,144 capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions of the governmental activities, \$981,057 subsidized transportation programs, \$496 subsidized general government programs, \$4,840 subsidized for security of persons and property and \$55,148 subsidized leisure time activity programs during 2017. Capital grants and contributions funded the acquisition or construction of governmental activities assets to serve the operations of transportation programs in the amounts of \$69,144.

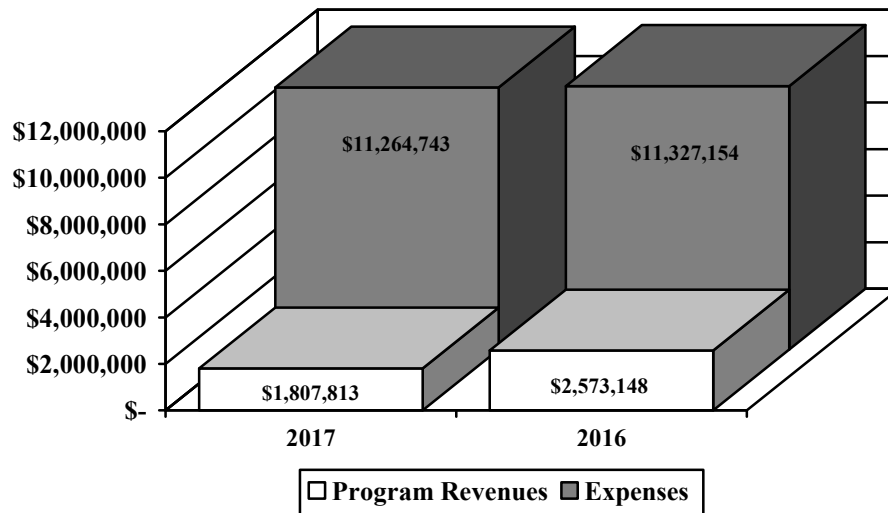
CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

General revenues of the governmental activities totaled \$9,731,697 and amounted to 84.33% of total governmental activities revenues. These revenues primarily consist of property, income tax, payment in lieu of taxes and permissive motor vehicle license tax revenues of \$8,812,397. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including the City's local government fund allocation, totaling \$594,458.

The statement of activities demonstrates how charges for services and grants to the City offset the costs of program services. The following figures show, for the governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. The City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

Governmental Activities – Program Revenues vs. Total Expenses



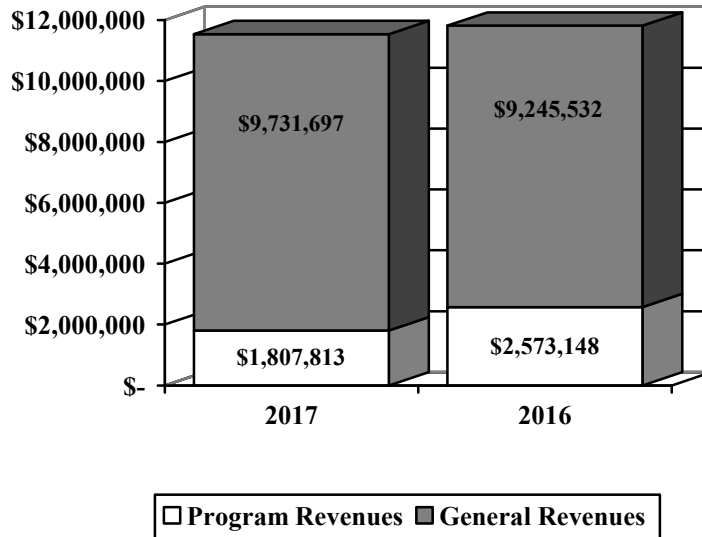
	Governmental Activities			
	2017		2016	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program expenses:				
General government	\$ 2,139,683	\$ 1,942,135	\$ 2,438,720	\$ 2,266,288
Security of persons and property	5,674,338	5,595,488	5,587,064	5,499,659
Public health and welfare	16,334	16,020	502	(425)
Transportation	2,989,853	1,555,498	2,857,667	646,502
Community environment	8,470	2,382	425	(5,670)
Leisure time activity	259,895	169,237	267,694	172,570
Utility services	139,572	139,572	130,282	130,282
Interest and fiscal charges	36,598	36,598	44,800	44,800
Total	\$ 11,264,743	\$ 9,456,930	\$ 11,327,154	\$ 8,754,006

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

The dependence upon general revenues for governmental activities is apparent, as 83.95% of expenses are supported through taxes and other general revenues.

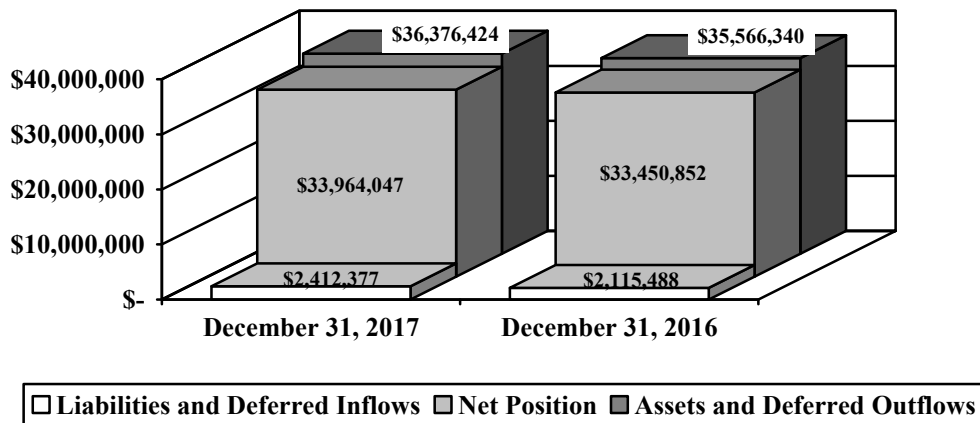
Governmental Activities – General and Program Revenues



Business-Type Activities

Business-type activities include the water, sewer, storm water, special park, swimming pool and parking enterprise funds. These programs had program revenues of \$4,864,634 and general revenues of \$172,239, recognized expenses of \$4,548,678, and received transfers from the governmental activities of \$25,000 during 2017. The graph below illustrates the assets and deferred outflows, liabilities, and net position of the City's business-type activities at December 31, 2017 and December 31, 2016.

Net Position in Business – Type Activities



CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Financial Analysis of the Government's Funds

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

Governmental Funds

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

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

	<u>Fund Balances</u> 12/31/17	<u>Fund Balances</u> 12/31/16	<u>Increase</u> <u>(Decrease)</u>
Major fund:			
General	\$ 6,564,287	\$ 6,118,422	\$ 445,865
Capital improvement plan fund	976,978	773,592	203,386
Nonmajor governmental funds	<u>2,299,692</u>	<u>2,554,199</u>	<u>(254,507)</u>
Total	<u>\$ 9,840,957</u>	<u>\$ 9,446,213</u>	<u>\$ 394,744</u>

General Fund

The City's general fund balance increased \$445,865 during 2017. The table that follows assists in illustrating the revenues of the general fund.

<u>Revenues</u>	<u>2017</u> <u>Amount</u>	<u>2016</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
Municipal income taxes	\$ 7,396,243	\$ 7,336,155	0.82 %
Property and other taxes	993,357	988,670	0.47 %
Charges for services	119,786	126,221	(5.10) %
Licenses and permits	112,641	115,515	(2.49) %
Fines and forfeitures	71,763	83,715	(14.28) %
Intergovernmental	594,816	357,971	66.16 %
Special assessments	6,765	6,671	1.41 %
Investment income	49,778	21,032	136.68 %
Donations	43,343	32,602	32.95 %
Other	<u>229,339</u>	<u>40,236</u>	<u>469.98 %</u>
Total	<u>\$ 9,617,831</u>	<u>\$ 9,108,788</u>	<u>5.59 %</u>

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

During 2017, the City's general fund revenues increased \$509,043 or 5.59%. Fines and forfeitures decreased \$11,952 or 14.28% primarily due to a decrease in municipal court fines in 2017. Intergovernmental revenue increased \$236,845 or 66.16% primarily due to the City receiving a \$150,000 state grant for the Band Shell Reconstruction project in the current year. Other revenues increased \$189,103 or 469.98% due to an increase in bureau of workers' compensation reimbursements and due to the City experiencing an increase in capital reimbursement and/ or sale of assets in 2017. All other revenue line items remained consistent with the prior year.

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

<u>Expenditures</u>	<u>2017 Amount</u>	<u>2016 Amount</u>	<u>Percentage Change</u>
General government	\$ 1,889,850	\$ 2,132,571	(11.38) %
Security of persons and property	4,518,449	4,246,436	6.41 %
Public health and welfare	16,334	502	3,153.78 %
Transportation	71,715	68,148	5.23 %
Community environment	220	425	(48.24) %
Leisure time activity	615,453	212,006	190.30 %
Utility services	139,572	130,282	7.13 %
Capital outlay	232,152	60,404	284.33 %
Debt service	88,059	75,580	16.51 %
Total	<u>\$ 7,571,804</u>	<u>\$ 6,926,354</u>	<u>9.32 %</u>

Total government expenses increased during 2017 by \$645,450 or 9.32% compared to 2016. General government expenditures decreased \$242,721 or 11.38% due to the City making a \$500,000 disbursement to Greenville Community Improvement Corporation of incentive funds that were used to benefit the Whirlpool Corporation plant expansion within the City during 2016. Leisure time activities increased \$403,447 or 190.30% due to an increase in capital asset related park expenses made in the current year. Capital outlay increased \$171,748 or 284.33% due to an increase in capital asset related expenses being purchased out of the general fund in 2017. All other expenditures remained consistent with prior year.

Budgeting Highlights - General Fund

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

Budgetary information is presented for the general fund. In the general fund, actual budgetary-basis revenues and other financing sources were \$38,432 lower than final budgeted revenues and other financing sources and actual expenditures and other financing uses were \$2,141,081 lower than the final budget. Budgeted revenues and other financing sources increased \$1,514,244 between the original and the final budgets, while budgeted expenditures and other financing uses increased \$2,749,306 from the original to the final budget.

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

Proprietary Funds

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

Water Fund

The water fund, a major proprietary fund, had operating revenues of \$2,258,284, operating expenses of \$2,270,268, and net operating loss of \$11,984 in 2017. During 2012, the City was awarded a legal settlement resulting from a geological study of raw water availability that provided inaccurate information on which the City relied. These proceeds will be paid to the City in annual installments through 2034. The net position of the water fund increased \$34,344 or 0.24% from a balance of \$14,214,171 to \$14,248,515.

Sewer Fund

The sewer fund, a major proprietary fund, had operating revenues of \$2,023,907 operating expenses of \$1,694,034, and net operating income of \$329,873 in 2017. The net change in operating expenses and revenues contributed to an increase in the net position of the sewer fund of \$375,315 or 2.57% from a balance of \$14,621,089 to \$14,996,404.

Storm Water Fund

The storm water fund, a major proprietary fund, had operating revenues of \$592,133 operating expenses of \$486,347, and net operating income of \$105,786 in 2017. The net change in operating expenses and revenues contributed to an increase in the net position of the storm water fund of \$105,786 or 2.38% from a balance of \$4,443,103 to \$4,548,889.

Capital Assets and Debt Administration

Capital Assets

At the end of 2017, the City had \$37,846,918, net of accumulated depreciation, invested in land, construction in progress, land improvements, buildings and improvements, furniture and equipment, software, vehicles, and infrastructure. Of this total, \$15,021,043 is reported in the governmental activities and \$22,825,875 is reported in business-type activities. The following table shows balances at December 31, 2017 compared to 2016.

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)

Capital Assets at December 31, Net of Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 1,041,619	\$ 1,041,619	\$ 510,065	\$ 510,065	\$ 1,551,684	\$ 1,551,684
Construction in progress	628,412	348,597	1,264,718	272,235	1,893,130	620,832
Land improvements	124,986	146,291	11,553	12,217	136,539	158,508
Buildings and improvements	2,333,406	2,444,838	5,225,992	5,528,299	7,559,398	7,973,137
Furniture and equipment	1,049,138	985,626	2,392,701	2,258,437	3,441,839	3,244,063
Software	6,711	1,997	30,732	44,061	37,443	46,058
Vehicles	1,792,766	1,918,602	566,710	278,969	2,359,476	2,197,571
Infrastructure	8,044,005	7,313,333	12,823,404	13,115,692	20,867,409	20,429,025
Totals	\$ 15,021,043	\$ 14,200,903	\$ 22,825,875	\$ 22,019,975	\$ 37,846,918	\$ 36,220,878

The City's largest capital asset category is infrastructure which includes streets, bridges, storm sewer lines and water and sewer lines. These items are immovable and of value to the area; however, the annual cost of purchasing or constructing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 53.55% and 56.18% of the City's total governmental and business-type capital assets, respectively.

See Note 10 to the basic financial statements for more detail on the City's capital assets.

Debt Administration

The City had the following long-term debt obligations outstanding at December 31, 2017 and 2016:

	Governmental Activities		Business-type Activities	
	2017	2016	2017	2016
General obligation bonds	\$ 889,361	\$ 371,250	\$ -	\$ 185,000
OPWC loan	457,515	494,054	-	-
Lease purchase agreement - fire station	135,100	158,700	-	-
Lease purchase agreements - fire truck 2013	605,529	696,733	-	-
Total long-term obligations	\$ 2,087,505	\$ 1,720,737	\$ -	\$ 185,000

See Note 12 to the basic financial statements for more detail on the City's long-term debt obligations.

Economic Conditions and Outlook

The City, a statutory government, operates under the Council-Mayor form of government. The City is uniquely located in the center of Darke County and is 35 miles northwest of the I-70/I-75 interchange. Four state highways and two US highways transect the community, thus making the City easily accessible.

CITY OF GREENVILLE, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2017 (UNAUDITED)

Wayne Health Care, the county's only hospital, has continued to expand and grow their facilities over the past several years. The recent addition of a cancer center onto their dialysis treatment and rehabilitation services facility has certainly been a blessing to countless residents in the area. They can now see their doctors and receive specialty care in the local area. With the recent completion of the \$48 million renovation/expansion to main campus, plans are now being prepared for the next major expansion to begin very soon. This \$35 million expansion will feature a women's care center, new surgical facilities, emergency rooms and modern state-of-the-art patient rooms. This is part of Wayne Health Care's goal to bring quality health care close to home. As of 2015, Reid Hospital of Richmond, Indiana opened their new campus on Meeker Road, which complements the Family Health Center located next door. Family Health continues to enhance the services for residents of the county which now includes Eye Care in addition to an after-hours urgent care clinic and a Behavior Health and Wellness Center.

The City's primary industrial park, Greenville Industrial Park, has shovel ready sites available for new construction as well as the expansion of existing companies. The industrial park is located on the east side of the community and offers access to rail via RJ Corman, and truck traffic via the state and federal routes. The park is currently home to The Anderson's Marathon Ethanol, Continental Carbonic, Spartech Corporation, Ramco Electric Motors, Greenville Technology, Inc., Beauty Systems Group, Monsanto and Classic Carriers/King Command.

The City is home to the KitchenAid division of Whirlpool Corporation, which produces the iconic KitchenAid stand mixer as well as other small appliances including the hand mixer and blender. Whirlpool has recently celebrated the opening of their modern, highly robotic distribution center, which nearly doubles the size of its present facility to 650,000 square feet. This reinforces the Greenville Plant as the global hub of Whirlpool's small appliance business. The Kitchen Aid Experience in downtown Greenville offers a unique shopping opportunity to purchase these small appliances as well as all of the attachments for the products. The City is also home to the FRAM Group, which produces a variety of filters with the widely known FRAM logo and BASF, the world's leading chemical company, which will begin a \$25 million renovation of their facilities this year. Workforce Development has become a very important issue for the sustained growth of the manufacturing base and will continue to focus on job quality, employee retention and education for the coming year. Great strides were made this past year with the continued advancement of the Darke County Workforce Development at the Greenville Career Technology Center, which is on the same campus as the newly revitalized Greenville Senior High School. The newest addition is a robotics lab for the Advanced Manufacturing Center. The community has continuously shown a strong support of education with the brand-new K-8 school building and campus as well as the Edison State Agricultural Center.

The City, as with many other local governments, has seen varied fluctuations on the revenue side in the past several years. Greenville is fortunate to have a diversified manufacturing base and agricultural base which has allowed for stabilization of these revenue dollars with an income tax collection that continues trending in a positive direction.

The City has a very vibrant and unique downtown area that has a high business occupancy rate and offers both visitors and residents a destination to shop and dine. The City supports many organizations, including Main Street Greenville, Darke County Visitor's Bureau, and the Garst Museum. Ohio Magazine's editors named Greenville as one of the "Best Hometowns" in Ohio for 2013. In 2015 & 2016, the museum and downtown area were again recognized by Ohio magazine: Main Street Greenville was named "The Best of Ohio" Main Street, while the Garst Museum & National Annie Oakley Center was awarded "The Best of Ohio" Historical Museum. Other popular destinations around the City include Bear's Mill and Tony Stewart's Eldora Speedway.

The community is also very fortunate to have access to 1,000 acres of beautiful parks and preserves. Families and friends have the opportunity to relax, appreciate nature, and enjoy various recreational activities such as hiking, fishing, kayaking, or canoeing along banks of the historic Greenville Creek. The City is also in the final stages of building and connecting an 18-mile paved biking/walking trail dubbed as "The Darke to Miami County Connector." At the completion of this ten-year project, the City will be connected to an extensive system of bike trails covering a large portion of the state of Ohio.

CITY OF GREENVILLE, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2017
(UNAUDITED)**

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact Ms. Roxanne Willman, Auditor, City of Greenville, 100 Public Square, Greenville, Ohio 45331.

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**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 10,420,997	\$ 9,290,767	\$ 19,711,764
Receivables (net of allowance for uncollectibles):			
Municipal income taxes	1,301,426	-	1,301,426
Property and other taxes	1,171,237	-	1,171,237
Accounts	25,761	1,045,053	1,070,814
Accrued interest	26,573	28,419	54,992
Due from other governments	669,380	-	669,380
Special assessments	65,674	-	65,674
Payment in lieu of taxes	274,317	-	274,317
Legal settlement	-	2,146,163	2,146,163
Internal balance	2,055	(2,055)	-
Prepayments	258,880	57,742	316,622
Materials and supplies inventory	38,679	224,661	263,340
Net pension asset	6,497	4,680	11,177
Capital assets:			
Land and construction in progress	1,670,031	1,774,783	3,444,814
Depreciable capital assets, net	13,351,012	21,051,092	34,402,104
Total capital assets, net	<u>15,021,043</u>	<u>22,825,875</u>	<u>37,846,918</u>
Total assets	<u>29,282,519</u>	<u>35,621,305</u>	<u>64,903,824</u>
Deferred outflows of resources:			
Pension- OPERS	1,040,963	755,119	1,796,082
Pension- OP&F	1,347,727	-	1,347,727
Total deferred outflows of resources	<u>2,388,690</u>	<u>755,119</u>	<u>3,143,809</u>
Liabilities:			
Accounts payable	317,077	68,332	385,409
Contracts payable	128,039	172,889	300,928
Accrued wages and benefits payable	255,005	43,425	298,430
Due to other governments	50,351	2,691	53,042
Pension obligation payable	157,841	24,442	182,283
Accrued interest payable	9,234	-	9,234
Claims payable	81,870	-	81,870
Long-term liabilities:			
Due within one year	585,604	84,443	670,047
Due in more than one year:			
Net pension liability	10,101,932	1,873,293	11,975,225
Other amounts due in more than one year	2,149,726	108,300	2,258,026
Total liabilities	<u>13,836,679</u>	<u>2,377,815</u>	<u>16,214,494</u>
Deferred inflows of resources:			
Property taxes levied for the subsequent year	1,105,692	-	1,105,692
Payment in lieu of taxes levied for the subsequent year	274,317	-	274,317
Pension- OPERS	33,854	34,562	68,416
Pension- OP&F	553,605	-	553,605
Total deferred inflows of resources	<u>1,967,468</u>	<u>34,562</u>	<u>2,002,030</u>
Net position:			
Net investment in capital assets	13,617,860	22,652,986	36,270,846
Restricted for:			
Transportation projects	1,616,493	-	1,616,493
Other purposes	29,201	-	29,201
Unrestricted	603,508	11,311,061	11,914,569
Total net position	<u>\$ 15,867,062</u>	<u>\$ 33,964,047</u>	<u>\$ 49,831,109</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 2,139,683	\$ 197,052	\$ 496	\$ -
Security of persons and property.	5,674,338	74,010	4,840	-
Public health and welfare	16,334	314	-	-
Transportation.	2,989,853	384,154	981,057	69,144
Community environment	8,470	6,088	-	-
Leisure time activity.	259,895	35,510	55,148	-
Utility services	139,572	-	-	-
Interest and fiscal charges.	36,598	-	-	-
Total governmental activities	<u>11,264,743</u>	<u>697,128</u>	<u>1,041,541</u>	<u>69,144</u>
Business-type activities:				
Water.	2,275,520	2,243,013	-	-
Sewer.	1,702,894	1,980,413	-	-
Storm water.	487,587	577,260	-	-
Other enterprise activities:				
Parking meter.	-	1,470	-	-
Special park	6,105	10,491	-	-
Swimming pool.	76,572	51,987	-	-
Total business-type activities	<u>4,548,678</u>	<u>4,864,634</u>	<u>-</u>	<u>-</u>
Total primary government.	<u>\$ 15,813,421</u>	<u>\$ 5,561,762</u>	<u>\$ 1,041,541</u>	<u>\$ 69,144</u>

General revenues:

- Property taxes levied for:
 - General purposes.
 - Police and fire pension.
- Municipal income taxes levied for:
 - General purposes.
- Grants and entitlements not restricted
 - to specific programs
- Permissive motor vehicle license tax
- Payments in lieu of taxes.
- Investment earnings
- Miscellaneous

Total general revenues

Transfers.

Total general revenues and transfers

Change in net position

Net position at beginning of year.

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (1,942,135)	\$ -	\$ (1,942,135)
(5,595,488)	-	(5,595,488)
(16,020)	-	(16,020)
(1,555,498)	-	(1,555,498)
(2,382)	-	(2,382)
(169,237)	-	(169,237)
(139,572)	-	(139,572)
(36,598)	-	(36,598)
<u>(9,456,930)</u>	<u>-</u>	<u>(9,456,930)</u>
-	(32,507)	(32,507)
-	277,519	277,519
-	89,673	89,673
-	1,470	1,470
-	4,386	4,386
-	(24,585)	(24,585)
<u>-</u>	<u>315,956</u>	<u>315,956</u>
<u>(9,456,930)</u>	<u>315,956</u>	<u>(9,140,974)</u>
999,067	-	999,067
119,004	-	119,004
7,291,231	-	7,291,231
594,458	-	594,458
128,778	-	128,778
274,317	-	274,317
66,876	97,913	164,789
<u>257,966</u>	<u>74,326</u>	<u>332,292</u>
<u>9,731,697</u>	<u>172,239</u>	<u>9,903,936</u>
<u>(25,000)</u>	<u>25,000</u>	<u>-</u>
<u>9,706,697</u>	<u>197,239</u>	<u>9,903,936</u>
249,767	513,195	762,962
<u>15,617,295</u>	<u>33,450,852</u>	<u>49,068,147</u>
<u>\$ 15,867,062</u>	<u>\$ 33,964,047</u>	<u>\$ 49,831,109</u>

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>General</u>	<u>Capital Improvement Plan Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 5,993,300	\$ 1,120,827	\$ 2,300,798	\$ 9,414,925
Receivables (net of allowance for uncollectibles):				
Municipal income taxes	1,301,426	-	-	1,301,426
Property and other taxes	1,021,819	-	149,418	1,171,237
Accounts	24,990	-	771	25,761
Due from other governments	356,592	-	312,788	669,380
Special assessments	65,674	-	-	65,674
Accrued interest	21,050	-	3,338	24,388
Payment in lieu of taxes	-	-	274,317	274,317
Prepayments	236,021	-	22,859	258,880
Materials and supplies inventory	3,203	-	35,476	38,679
Total assets	<u>\$ 9,024,075</u>	<u>\$ 1,120,827</u>	<u>\$ 3,099,765</u>	<u>\$ 13,244,667</u>
Liabilities:				
Accounts payable	\$ 215,684	\$ 28,207	\$ 73,186	\$ 317,077
Contracts payable	12,397	115,642	-	128,039
Accrued wages and benefits payable	230,880	-	24,125	255,005
Due to other governments	48,951	-	1,400	50,351
Pension obligation payable	63,361	-	94,480	157,841
Total liabilities	<u>571,273</u>	<u>143,849</u>	<u>193,191</u>	<u>908,313</u>
Deferred inflows of resources:				
Property taxes levied for the subsequent year	972,816	-	132,876	1,105,692
Payment in lieu of taxes levied for the subsequent year	-	-	274,317	274,317
Income tax revenue not available	643,294	-	-	643,294
Delinquent property tax revenue not available	44,184	-	6,178	50,362
Intergovernmental revenue not available	124,458	-	191,187	315,645
Special assessments revenue not available	65,674	-	-	65,674
Accrued interest not available	14,870	-	2,324	17,194
Miscellaneous revenue not available	23,219	-	-	23,219
Total deferred inflows of resources	<u>1,888,515</u>	<u>-</u>	<u>606,882</u>	<u>2,495,397</u>
Fund balances:				
Nonspendable	239,224	-	58,335	297,559
Restricted	-	812,361	2,012,444	2,824,805
Committed	57,319	-	-	57,319
Assigned	2,710,411	164,617	257,335	3,132,363
Unassigned (deficit)	3,557,333	-	(28,422)	3,528,911
Total fund balances	<u>6,564,287</u>	<u>976,978</u>	<u>2,299,692</u>	<u>9,840,957</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,024,075</u>	<u>\$ 1,120,827</u>	<u>\$ 3,099,765</u>	<u>\$ 13,244,667</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2017

Total governmental fund balances \$ 9,840,957

*Amounts reported for governmental activities on 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. 15,021,043

Other long-term assets are not available to pay for current period expenditures
and therefore are reported as deferred inflows of resources in the funds.

Municipal income taxes receivable	\$	643,294	
Property and other taxes receivable		50,362	
Accounts receivable		23,219	
Intergovernmental receivable		315,645	
Special assessments receivable		65,674	
Accrued interest receivable		17,194	
Total		1,115,388	1,115,388

The net pension asset and net pension liability are not available to pay for
current period expenditures and are not due and payable in the current
period, respectively; therefore, the asset, liability and related deferred
inflows/outflows are not reported in governmental funds.

Net pension asset		6,497	
Deferred outflows of resources		2,388,690	
Deferred inflows of resources		(587,459)	
Net pension liability		(10,101,932)	
Total		(8,294,204)	(8,294,204)

An internal service fund is used by management to charge the costs of
health insurance to individual funds. The assets and liabilities of the internal
service fund are included in the governmental activities on the statement of net
position. The effect of the net position of the internal service fund, including an
internal balance receivable of \$2,055, is to increase net position. 928,442

Accrued interest is not due and payable in the current period and therefore is not
reported in the governmental funds (9,234)

Long-term liabilities are not due and payable in the current period and therefore are not
reported in the funds. The long-term liabilities of the governmental activities are as follows:

Compensated absences		(647,825)	
Lease purchase agreements		(740,629)	
OPWC loan payable		(457,515)	
General obligation and refunding revenue bonds		(889,361)	
Total		(2,735,330)	(2,735,330)

Net position of governmental activities \$ 15,867,062

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General</u>	<u>Capital Improvement Plan Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Municipal income taxes	\$ 7,396,243	\$ -	\$ -	\$ 7,396,243
Property and other taxes	993,357	-	246,794	1,240,151
Charges for services	119,786	-	174,397	294,183
Licenses and permits	112,641	-	-	112,641
Fines and forfeitures	71,763	-	2,247	74,010
Intergovernmental	594,816	-	1,043,769	1,638,585
Special assessments	6,765	-	425	7,190
Investment income	49,778	-	9,988	59,766
Donations	43,343	-	-	43,343
Payment in lieu of taxes	-	-	274,317	274,317
Other	229,339	-	213,481	442,820
Total revenues	<u>9,617,831</u>	<u>-</u>	<u>1,965,418</u>	<u>11,583,249</u>
Expenditures:				
Current:				
General government	1,889,850	-	520	1,890,370
Security of persons and property	4,518,449	-	615,712	5,134,161
Public health and welfare	16,334	-	-	16,334
Transportation	71,715	-	1,701,270	1,772,985
Community environment	220	-	8,250	8,470
Leisure time activity	615,453	-	-	615,453
Utility services	139,572	-	-	139,572
Capital outlay	232,152	1,633,384	49,310	1,914,846
Debt service:				
Principal retirement	79,389	91,204	275,000	445,593
Interest and fiscal charges	8,670	20,205	9,207	38,082
Total expenditures	<u>7,571,804</u>	<u>1,744,793</u>	<u>2,659,269</u>	<u>11,975,866</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,046,027</u>	<u>(1,744,793)</u>	<u>(693,851)</u>	<u>(392,617)</u>
Other financing sources (uses):				
Bond issuance	-	812,361	-	812,361
Transfers in	274,916	1,135,818	1,091,673	2,502,407
Transfers (out)	(1,875,078)	-	(652,329)	(2,527,407)
Total other financing sources (uses)	<u>(1,600,162)</u>	<u>1,948,179</u>	<u>439,344</u>	<u>787,361</u>
Net change in fund balances	445,865	203,386	(254,507)	394,744
Fund balances at beginning of year	<u>6,118,422</u>	<u>773,592</u>	<u>2,554,199</u>	<u>9,446,213</u>
Fund balances at end of year	<u>\$ 6,564,287</u>	<u>\$ 976,978</u>	<u>\$ 2,299,692</u>	<u>\$ 9,840,957</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE
DARKE 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, 2017

Net change in fund balances - total governmental funds	\$	394,744
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures; however, on the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.		
Capital asset additions	\$ 2,305,089	
Current year depreciation	(1,449,302)	
Total		855,787
The net effect of various transactions involving capital assets is to decrease net position.		(35,647)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Municipal income taxes	(105,012)	
Property and other taxes	6,698	
Intergovernmental revenues	(15,403)	
Special assessments	9,833	
Investment income	12,367	
Other	1,529	
Total		(89,988)
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds an interest expenditure is reported when due.		1,484
Repayment of bonds, lease purchase agreements and loans are expenditures in the governmental funds; however, the payments reduce long-term liabilities on the statement of net position		445,593
Proceeds of bonds are reported as other financing sources in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.		(812,361)
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		836,845
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		(1,378,004)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		26,530
The internal service fund, used by management to charge the costs of self-insurance to individual funds, is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		4,784
Change in net position of governmental activities	\$	249,767

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Municipal income taxes	\$ 6,682,500	\$ 7,508,009	\$ 7,477,581	\$ (30,428)
Property and other taxes.	955,500	997,377	993,335	(4,042)
Charges for services.	41,250	75,246	74,941	(305)
Licenses and permits	101,500	113,099	112,641	(458)
Fines and forfeitures	74,200	70,780	70,493	(287)
Intergovernmental.	346,000	422,207	420,496	(1,711)
Special assessments	6,000	6,793	6,765	(28)
Investment income.	10,000	45,525	45,340	(185)
Donations.	5,000	13,367	13,313	(54)
Other	21,500	230,375	229,441	(934)
Total revenues	<u>8,243,450</u>	<u>9,482,778</u>	<u>9,444,346</u>	<u>(38,432)</u>
Expenditures:				
Current:				
General government	2,029,534	2,234,804	2,062,057	172,747
Security of persons and property	4,679,172	5,228,314	4,502,058	726,256
Public health and welfare.	7,600	16,334	16,334	-
Transportation	77,868	84,239	71,629	12,610
Community environment	1,000	1,020	220	800
Utility services	163,559	190,892	157,658	33,234
Capital outlay	174,497	1,163,658	229,501	934,157
Debt service:				
Principal retirement.	79,389	79,389	79,389	-
Interest and fiscal charges	8,670	8,670	8,670	-
Total expenditures	<u>7,221,289</u>	<u>9,007,320</u>	<u>7,127,516</u>	<u>1,879,804</u>
Excess of revenues over expenditures	<u>1,022,161</u>	<u>475,458</u>	<u>2,316,830</u>	<u>1,841,372</u>
Other financing sources (uses):				
Transfers in	-	274,916	274,916	-
Transfers out	(1,609,802)	(2,573,077)	(2,311,800)	261,277
Total other financing sources (uses)	<u>(1,609,802)</u>	<u>(2,298,161)</u>	<u>(2,036,884)</u>	<u>261,277</u>
Net change in fund balances	(587,641)	(1,822,703)	279,946	2,102,649
Fund balances at beginning of year	5,387,049	5,387,049	5,387,049	-
Prior year encumbrances appropriated	155,829	155,829	155,829	-
Fund balance at end of year	<u>\$ 4,955,237</u>	<u>\$ 3,720,175</u>	<u>\$ 5,822,824</u>	<u>\$ 2,102,649</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	<u>Business-type Activities - Enterprise Funds</u>		
	<u>Water</u>	<u>Sewer</u>	<u>Storm Water</u>
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	\$ 2,712,896	\$ 5,141,951	\$ 1,307,732
Receivables:			
Accounts	470,181	437,442	137,430
Accrued interest	9,783	18,636	-
Legal settlement	2,146,163	-	-
Prepayments	38,159	14,014	2,720
Materials and supplies inventory	154,099	70,562	-
Total current assets	<u>5,531,281</u>	<u>5,682,605</u>	<u>1,447,882</u>
Noncurrent assets:			
Net pension asset	2,537	1,431	543
Capital assets:			
Land and construction in progress	1,061,116	326,153	312,143
Depreciable capital assets, net	8,692,698	9,401,345	2,948,502
Total capital assets, net	<u>9,753,814</u>	<u>9,727,498</u>	<u>3,260,645</u>
Total noncurrent assets	<u>9,756,351</u>	<u>9,728,929</u>	<u>3,261,188</u>
Total assets	<u>15,287,632</u>	<u>15,411,534</u>	<u>4,709,070</u>
Deferred outflows of resources:			
Pension- OPERS	406,557	234,404	87,087
Total deferred outflows of resources	<u>406,557</u>	<u>234,404</u>	<u>87,087</u>
Liabilities:			
Current liabilities:			
Accounts payable	61,216	3,015	4,101
Contracts payable	172,889	-	-
Accrued wages and benefits payable	26,986	13,339	3,100
Due to other governments	1,600	827	191
Compensated absences	59,941	19,222	5,280
Pension obligation payable	14,814	7,455	2,173
Claims payable	-	-	-
Total current liabilities	<u>337,446</u>	<u>43,858</u>	<u>14,845</u>
Long-term liabilities:			
Compensated absences payable	73,523	28,841	5,936
Net pension liability	1,015,638	572,645	217,407
Total long-term liabilities	<u>1,089,161</u>	<u>601,486</u>	<u>223,343</u>
Total liabilities	<u>1,426,607</u>	<u>645,344</u>	<u>238,188</u>
Deferred inflows of resources:			
Pension- OPERS	19,067	4,190	9,080
Total deferred inflows of resources	<u>19,067</u>	<u>4,190</u>	<u>9,080</u>
Net position:			
Net investment in capital assets	9,580,925	9,727,498	3,260,645
Unrestricted	4,667,590	5,268,906	1,288,244
Total net position	<u>\$ 14,248,515</u>	<u>\$ 14,996,404</u>	<u>\$ 4,548,889</u>

Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.

Net position of business-type activities

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Nonmajor Enterprise</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 128,188	\$ 9,290,767	\$ 1,006,072
-	1,045,053	-
-	28,419	2,185
-	2,146,163	-
2,849	57,742	-
-	224,661	-
<u>131,037</u>	<u>12,792,805</u>	<u>1,008,257</u>
169	4,680	-
75,371	1,774,783	-
8,547	21,051,092	-
<u>83,918</u>	<u>22,825,875</u>	<u>-</u>
<u>84,087</u>	<u>22,830,555</u>	<u>-</u>
<u>215,124</u>	<u>35,623,360</u>	<u>1,008,257</u>
<u>27,071</u>	<u>755,119</u>	<u>-</u>
<u>27,071</u>	<u>755,119</u>	<u>-</u>
-	68,332	-
-	172,889	-
-	43,425	-
73	2,691	-
-	84,443	-
-	24,442	-
-	-	81,870
<u>73</u>	<u>396,222</u>	<u>81,870</u>
-	108,300	-
67,603	1,873,293	-
<u>67,603</u>	<u>1,981,593</u>	<u>-</u>
<u>67,676</u>	<u>2,377,815</u>	<u>81,870</u>
<u>2,225</u>	<u>34,562</u>	<u>-</u>
<u>2,225</u>	<u>34,562</u>	<u>-</u>
83,918	22,652,986	-
88,376	11,313,116	926,387
<u>\$ 172,294</u>	<u>33,966,102</u>	<u>\$ 926,387</u>
	(2,055)	
	<u>\$ 33,964,047</u>	

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Storm Water
Operating revenues:			
Charges for services	\$ 2,240,163	\$ 1,976,138	\$ 577,260
Tap-in fees	2,850	4,275	-
Other	15,271	43,494	14,873
Total operating revenues	<u>2,258,284</u>	<u>2,023,907</u>	<u>592,133</u>
Operating expenses:			
Personal services	1,026,712	573,090	219,240
Contract services.	327,145	253,402	72,134
Materials and supplies.	320,062	131,146	40,905
Utilities	122,020	105,999	492
Depreciation.	474,329	630,397	153,576
Claims expense	-	-	-
Total operating expenses	<u>2,270,268</u>	<u>1,694,034</u>	<u>486,347</u>
Operating income (loss).	<u>(11,984)</u>	<u>329,873</u>	<u>105,786</u>
Nonoperating revenues (expenses):			
Interest and fiscal charges.	-	(6,143)	-
Interest income.	46,328	51,585	-
Total nonoperating revenues (expenses).	<u>46,328</u>	<u>45,442</u>	<u>-</u>
Income (loss) before transfers	34,344	375,315	105,786
Transfer in	-	-	-
Change in net position	34,344	375,315	105,786
Net position at beginning of year	<u>14,214,171</u>	<u>14,621,089</u>	<u>4,443,103</u>
Net position at end of year	<u>\$ 14,248,515</u>	<u>\$ 14,996,404</u>	<u>\$ 4,548,889</u>

Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.

Change in net position of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Nonmajor Enterprise</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 63,948	\$ 4,857,509	\$ 1,235,594
-	7,125	-
688	74,326	-
<u>64,636</u>	<u>4,938,960</u>	<u>1,235,594</u>
58,875	1,877,917	-
2,686	655,367	-
15,640	507,753	-
3,767	232,278	-
1,709	1,260,011	-
-	-	1,246,268
<u>82,677</u>	<u>4,533,326</u>	<u>1,246,268</u>
(18,041)	405,634	(10,674)
-	(6,143)	-
-	97,913	6,249
<u>-</u>	<u>91,770</u>	<u>6,249</u>
(18,041)	497,404	(4,425)
25,000	25,000	-
6,959	522,404	(4,425)
<u>165,335</u>		<u>930,812</u>
<u>\$ 172,294</u>		<u>\$ 926,387</u>
	(9,209)	
	<u>\$ 513,195</u>	

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Storm Water
Cash flows from operating activities:			
Cash received from customers.	\$ 2,233,924	\$ 1,982,803	\$ 575,638
Cash received from tap-in fees.	2,850	4,275	-
Cash received from other operations.	15,271	43,487	14,873
Cash payments for personal services.	(884,152)	(499,394)	(192,110)
Cash payments for contractual services	(323,128)	(264,476)	(73,971)
Cash payments for materials and supplies	(330,013)	(126,498)	(40,809)
Cash payments for utilities.	(122,020)	(105,999)	(492)
Cash payments for claims	-	-	-
Net cash provided by (used in) operating activities	<u>592,732</u>	<u>1,034,198</u>	<u>283,129</u>
Cash flows from noncapital financing activities:			
Cash received from transfers in	-	-	-
Cash received from legal settlement	132,054	-	-
Net cash provided by noncapital financing activities	<u>132,054</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets.	(883,777)	(1,078,235)	(22,334)
Principal retirement on general obligation bonds.	-	(185,000)	-
Interest and fiscal charges.	-	(4,625)	-
Net cash used in capital and related financing activities.	<u>(883,777)</u>	<u>(1,267,860)</u>	<u>(22,334)</u>
Cash flows from investing activities:			
Interest received	21,276	38,400	-
Net cash provided by investing activities.	<u>21,276</u>	<u>38,400</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(137,715)	(195,262)	260,795
Cash and cash equivalents at beginning of year	<u>2,850,611</u>	<u>5,337,213</u>	<u>1,046,937</u>
Cash and cash equivalents at end of year	<u>\$ 2,712,896</u>	<u>\$ 5,141,951</u>	<u>\$ 1,307,732</u>

Nonmajor Enterprise	Total	Governmental Activities - Internal Service Fund
\$ 63,948	\$ 4,856,313	\$ 1,235,594
-	7,125	-
688	74,319	-
(50,561)	(1,626,217)	-
(4,186)	(665,761)	-
(16,826)	(514,146)	-
(3,767)	(232,278)	-
-	-	(1,210,127)
<u>(10,704)</u>	<u>1,899,355</u>	<u>25,467</u>
25,000	25,000	-
-	132,054	-
<u>25,000</u>	<u>157,054</u>	<u>-</u>
-	(1,984,346)	-
-	(185,000)	-
-	(4,625)	-
<u>-</u>	<u>(2,173,971)</u>	<u>-</u>
-	59,676	4,677
<u>-</u>	<u>59,676</u>	<u>4,677</u>
14,296	(57,886)	30,144
113,892	9,348,653	975,928
<u>\$ 128,188</u>	<u>\$ 9,290,767</u>	<u>\$ 1,006,072</u>

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**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds		
	Water	Sewer	Storm Water
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (11,984)	\$ 329,873	\$ 105,786
Adjustments:			
Depreciation.	474,329	630,397	153,576
Changes in assets and liabilities:			
(Increase) decrease in materials and supplies inventory	(5,176)	1,658	-
(Increase) decrease in accounts receivable	(6,239)	6,658	(1,622)
(Increase) decrease in prepayments	6,497	2,401	96
(Increase) in net pension asset.	(444)	(315)	(68)
(Increase) in deferred outflows - pension - OPERS	(87,758)	(64,349)	(14,737)
(Decrease) in accounts payable	(5,838)	(10,375)	(1,881)
Increase in accrued wages and benefits	1,987	2,738	91
Increase (decrease) in intergovernmental payable	(2,008)	414	92
Increase (decrease) in compensated absences payable	5,732	(9,477)	33
Increase in net pension liability.	217,027	146,647	36,165
Increase (decrease) in deferred inflows - pension - OPERS	1,963	(4,934)	5,199
Increase in pension obligation payable	4,644	2,862	399
Increase in claims payable	-	-	-
Net cash provided by (used in) operating activities	<u>\$ 592,732</u>	<u>\$ 1,034,198</u>	<u>\$ 283,129</u>

Non-cash transactions:

During 2017 and 2016, the water fund purchased \$172,889 and \$64, respectively, in capital assets on account.
During 2016, the sewer fund purchased \$91,260 in capital assets on account.
During 2017, governmental activities transferred capital assets to the sewer fund in the amount of \$39,708, with accumulated depreciation of \$39,708.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Nonmajor Enterprise</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ (18,041)	\$ 405,634	\$ (10,674)
1,709	1,260,011	-
-	(3,518)	-
-	(1,203)	-
(1,395)	7,599	-
(25)	(852)	-
(5,092)	(171,936)	-
(1,500)	(19,594)	-
-	4,816	-
48	(1,454)	-
-	(3,712)	-
12,546	412,385	-
1,046	3,274	-
-	7,905	-
-	-	36,141
<u>\$ (10,704)</u>	<u>\$ 1,899,355</u>	<u>\$ 25,467</u>

**CITY OF GREENVILLE
DARKE COUNTY, OHIO**

STATEMENT OF ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2017

	<u>Agency</u>
Assets:	
Cash in segregated accounts.	<u>\$ 30,124</u>
Total assets	<u><u>\$ 30,124</u></u>
Liabilities:	
Deposits held and due to others	<u>\$ 30,124</u>
Total liabilities	<u><u>\$ 30,124</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 1 - DESCRIPTION OF THE CITY

The City of Greenville, Ohio (the "City"), was incorporated in 1832 and operates under a Council-Mayor form of government. The following services are provided by the City: public safety (police and fire), highways and streets, water, sewer, storm water, recreation, public improvements, planning and zoning and general administrative services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the City are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City, this includes police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, water system, sewage treatment, storm water services and general administrative services. The City's departments include a public safety department, a public service department, a street maintenance department, a sanitation system, a parks and recreation department, a planning and zoning department, and a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation of each of these activities and entities is directly controlled by the City Council through the budgetary process.

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

B. Basis of Presentation - Fund Accounting

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.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

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

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

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

C. Fund Accounting

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

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

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

The following are the City's major governmental funds:

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

Capital improvement plan fund - The capital improvement plan fund accounts for resources that are used for the acquisition and construction of capital assets.

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

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

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

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

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

Storm water fund - This fund accounts for the provision of storm water service to the residents and commercial users located within the City.

The City has three nonmajor enterprise funds that are used to account for the swimming pool, parking and special park district operations.

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

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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only agency fund is a fund used to account for fire repair and removal.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

D. Measurement Focus and Basis of Accounting

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

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

E. Basis of Accounting

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

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

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes and payments in lieu of taxes are recognized in the year for which these items are levied (See Notes 6 and 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, See Note 14 for deferred outflows of resources related the City's net pension liability.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the City, See Note 14 for deferred inflows of resources related to the City's net pension liability. This deferred inflow of resources are reported on the government-wide statement of net position and the proprietary fund statements.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

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

F. Budgetary Data

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

Tax Budget - The City must submit the adopted budget to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or before December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Auditor determines and the Budget Commission agrees, that estimates need to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final amended official certificates of estimated resources issued during 2017.

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

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

G. Cash and Cash Equivalents

Cash balances of the City's funds are pooled and invested in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the balance sheet as "equity in pooled cash and cash equivalents" on the basic financial statements.

During 2017, investments were limited to non-negotiable certificates of deposit which are reported at cost. Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2017 amounted to \$49,778 which included \$1,640 assigned from other funds of the City.

For purposes of the statement of cash flows and for presentation on the financial statements, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

The City has segregated bank accounts for fire damage monies held separate from City's central bank account. These interest bearing depository accounts are presented on the financial statements as "cash in segregated accounts" since they are not required to be deposited into the City treasury.

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

H. Inventories of Materials and Supplies

On government-wide financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in both governmental and proprietary funds consists of expendable supplies held for consumption. On governmental fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

I. Capital Assets

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

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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. During 2017, the City maintained a capitalization threshold of \$5,000. The City's governmental infrastructure consists of storm sewers and streets. The City's proprietary infrastructure consists of water, sanitary sewer and storm water lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities. Capitalized interest for 2017 was not material.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	15 - 20 years	15 - 20 years
Buildings and improvements	20 - 40 years	20 - 40 years
Furniture and equipment	5 - 30 years	5 - 20 years
Software	5 - 10 years	5 - 10 years
Vehicles	5 - 16 years	3 - 10 years
Infrastructure	10 - 40 years	10 - 40 years

J. Compensated Absences

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

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

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

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

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds; however, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, loans, and lease-purchase agreements are recognized as a liability on the governmental fund financial statements when due.

L. Bond Issuance Costs, Bond Premiums and Discounts, Accounting Gain or Loss

On both the government-wide financial statements and the fund financial statements, bond issuance costs are recognized in the period in which they are incurred.

On the government-wide financial statements, bond premiums and discounts are amortized over the term of the bonds using the straight line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds and bond discounts are presented as a reduction to the face amount of the bonds. On the governmental fund financial statements bond premiums and discounts are recognized in the period in which these items are incurred.

For current and advance refundings resulting in the defeasance of debt reported in the government-wide financial statements and enterprise funds, the difference between the reacquisition price and the net carrying amount of the old debt is amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a deferred inflow of resources or a deferred outflow of resources.

M. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. The City had no interfund loans receivable/payable at December 31, 2017. The internal balance reported on the financial statements relates to the consolidation of the internal service fund with the governmental activities.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

N. 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 nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements. Only transfers between governmental activities and business-type activities are reported on the statement of activities.

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash.

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted 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 City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

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

P. Estimates

The preparation of the basic financial statements in conformity with GAAP 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.

Q. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The City's net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes consists primarily of funds restricted for community environment, general government and law enforcement programs.

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

R. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. During 2017, the City had neither type of transaction.

T. Contributions of Capital

Capital contributions in the governmental activities arise from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. The City received capital contributions from Darke County in the amount of \$40,000 in the governmental activities during 2017.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

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

U. Pensions

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2017, the City has implemented GASB Statement No. 80, *“Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14”*, GASB Statement No. 81 *“Irrevocable Split-Interest Agreements”*, and GASB Statement No. 82, *“Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73”*.

GASB Statement No. 80 amends the blending requirements for the financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81 improves the accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the City.

B. Deficit Fund Balances

Fund balances at December 31, 2017 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Police pension	\$ 28,422

The general fund is liable for the deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items 1 or 2 above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

The City may also invest any monies not required to be used for a period of six months or more in the following:

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the City.

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

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

A. Cash in Segregated Accounts

At year end, the City had \$30,124 deposited with financial institutions for monies related to fire damage which is reported as an agency fund. The entire balance is covered by FDIC. The amount is not included in the City's depository balance below.

B. Deposits with Financial Institutions

At December 31, 2017, the carrying amount of all City deposits was \$19,711,764 and the bank balance of all City deposits was \$20,093,679. Of the bank balance, \$1,000,000 was covered by the FDIC and \$19,093,679 was exposed to custodial risk as discussed below because those deposits were uninsured and uncollateralized.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. For 2017, certain City financial institutions did not participate in the OPCS while certain other financial institutions did participate in the OPCS. Those financial institutions that did participate were approved for a reduced collateral rate of 102 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

The City had no investments at December 31, 2017.

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

The following is a reconciliation of cash and cash equivalents as reported in the note above to cash and cash equivalents as reported on the statement of net position as of December 31, 2017:

<u>Cash and cash equivalents per note</u>	
Carrying amount of deposits	\$ 19,711,764
Cash in segregated accounts	30,124
Total	\$ 19,741,888
 <u>Cash and cash equivalents per statement of net position</u>	
Governmental activities	\$ 10,420,997
Business-type activities	9,290,767
Agency funds	30,124
Total	\$ 19,741,888

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2017, consisted of the following, as reported in the fund financial statements:

<u>Transfers from general fund to:</u>	
Capital improvement plan	\$ 1,135,818
Nonmajor governmental funds	714,260
Nonmajor enterprise funds	25,000
	1,875,078
 <u>Transfers from nonmajor governmental funds to:</u>	
General fund	274,916
Nonmajor governmental funds	377,413
	652,329
Total	\$ 2,527,407

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Transfers between governmental funds are eliminated on the government-wide financial statements. Transfers between governmental activities and business-type activities are reported as transfers on the statement of activities.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Greenville. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2017 and for which there is an enforceable legal claim. In the governmental funds, property and other taxes receivable has been offset by a deferred inflow of resources for the current portion, since the current taxes were not levied to finance 2017 operations, and the delinquent portion, since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is unavailable.

The full tax rate for all City operations for the year ended December 31, 2017 was \$8.15 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2017 and 2016 property tax receipts were based are as follows:

	2017	2016
<u>Real property</u>		
Residential/agricultural	\$ 148,665,110	\$ 136,244,570
Commercial/industrial/mineral	92,488,340	79,256,310
<u>Public utility property</u>		
Real	52,850	37,750
Personal	6,348,740	5,463,752
Total assessed value	\$ 247,555,040	\$ 221,002,382

NOTE 7 - LOCAL INCOME TAXES

The City levies a municipal income tax of one and one half percent on substantially all income earned within the City. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

CITY OF GREENVILLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 7 - LOCAL INCOME TAXES - (Continued)

Income tax proceeds are to be used to pay the cost of administering the tax. All income tax revenue is initially placed in the general fund and may be distributed to other funds as determined by City Council. Income tax revenue for 2017 was \$7,396,243 as reported in the fund financial statements.

NOTE 8 - TAX INCREMENT FINANCING DISTRICT

The City, pursuant to the Ohio Revised Code and City ordinances, has established three Tax Increment Financing Districts (“TIFs”). A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as “payments in lieu of taxes (PILOTS)”, as though the TIF had not been established. These “PILOTS” are then dedicated to the payments for various public improvements within or adjacent to the TIF area or retirement of debt service related to such public improvements. Property values existing before the commencement date of a TIF continue to be subjected to property taxes.

PILOTS revenue was \$274,317 in 2017 as reported in the fund financial statements. The TIF has a longevity of the shorter period of 10 years or until the public improvements are paid for. The property tax exemption and PILOTS payments then cease, at which point property taxes apply to the increased property values.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2017, consisted of taxes, accounts (billings for user charged services), accrued interest, payment in lieu of taxes, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenue, and the receivable portion of a legal settlement awarded in 2012. Receivables have been recorded to the extent that they are measurable at December 31, 2017. A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Municipal income taxes	\$ 1,301,426
Property and other taxes	1,171,237
Accounts	25,761
Accrued interest	26,573
Due from other governments	669,380
Special assessments	65,674
Payments in lieu of taxes	274,317

Business-type activities:

Accounts	1,045,053
Accrued interest	28,419
Legal settlement	2,146,163

Receivables have been disaggregated on the face of the financial statements. All receivables are expected to be collected within the subsequent year, except the legal settlement, which will be collected through 2034.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 10 - CAPITAL ASSETS

Governmental activities capital asset activity for the year ended December 31, 2017, was as follows:

	Balance			Balance
<u>Governmental activities:</u>	<u>12/31/16</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/17</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,041,619	\$ -	\$ -	\$ 1,041,619
Construction in progress	<u>348,597</u>	<u>778,388</u>	<u>(498,573)</u>	<u>628,412</u>
Total capital assets not being depreciated	<u>1,390,216</u>	<u>778,388</u>	<u>(498,573)</u>	<u>1,670,031</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	660,912	-	-	660,912
Buildings and improvements	4,523,113	-	(23,884)	4,499,229
Furniture and equipment	2,982,352	284,652	(147,000)	3,120,004
Software	42,350	7,227	-	49,577
Vehicles	4,143,088	96,929	(306,842)	3,933,175
Infrastructure	<u>18,421,162</u>	<u>1,636,466</u>	<u>(26,582)</u>	<u>20,031,046</u>
Total capital assets being depreciated	<u>30,772,977</u>	<u>2,025,274</u>	<u>(504,308)</u>	<u>32,293,943</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(514,621)	(21,305)	-	(535,926)
Buildings and improvements	(2,078,275)	(111,432)	23,884	(2,165,823)
Furniture and equipment	(1,996,726)	(192,342)	118,202	(2,070,866)
Software	(40,353)	(2,513)	-	(42,866)
Vehicles	(2,224,486)	(222,765)	306,842	(2,140,409)
Infrastructure	<u>(11,107,829)</u>	<u>(898,945)</u>	<u>19,733</u>	<u>(11,987,041)</u>
Total accumulated depreciation	<u>(17,962,290)</u>	<u>(1,449,302)</u>	<u>468,661</u>	<u>(18,942,931)</u>
Total capital assets being depreciated, net	<u>12,810,687</u>	<u>575,972</u>	<u>(35,647)</u>	<u>13,351,012</u>
Governmental activities capital assets, net	<u>\$ 14,200,903</u>	<u>\$ 1,354,360</u>	<u>\$ (534,220)</u>	<u>\$ 15,021,043</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental activities:</u>	
General government	\$ 108,972
Security of persons and property	211,473
Transportation	1,078,029
Leisure time activity	<u>50,828</u>
Total depreciation expense - governmental activities	<u>\$ 1,449,302</u>

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 10 - CAPITAL ASSETS - (Continued)

Business-type activities capital asset activity for the year ended December 31, 2017, was as follows:

	Balance		Balance
<u>Business-type activities:</u>	12/31/16	Additions	12/31/17
<i>Capital assets, not being depreciated:</i>			
Land	\$ 510,065	\$ -	\$ 510,065
Construction in progress	272,235	1,145,290	1,264,718
Total capital assets not being depreciated	782,300	1,145,290	1,774,783
<i>Capital assets, being depreciated:</i>			
Land improvements	132,316	-	132,316
Buildings and improvements	10,408,245	-	10,408,245
Furniture and equipment	8,657,882	312,957	8,970,839
Software	277,974	3,560	281,534
Vehicles	541,662	389,868	931,530
Infrastructure	20,379,674	406,751	20,786,425
Total capital assets being depreciated	40,397,753	1,113,136	41,510,889
<i>Less: accumulated depreciation:</i>			
Land improvements	(120,099)	(664)	(120,763)
Buildings and improvements	(4,879,946)	(302,307)	(5,182,253)
Furniture and equipment	(6,399,445)	(178,693)	(6,578,138)
Software	(233,913)	(16,889)	(250,802)
Vehicles	(262,693)	(102,127)	(364,820)
Infrastructure	(7,263,982)	(699,039)	(7,963,021)
Total accumulated depreciation	(19,160,078)	(1,299,719)	(20,459,797)
Total capital assets being depreciated, net	21,237,675	(186,583)	21,051,092
Business-type activities capital assets, net	\$ 22,019,975	\$ 958,707	\$ 22,825,875

The business-type activities received transfers of capital assets from the governmental activities with a cost and accumulated depreciation of \$39,708.

Depreciation expense was charged to the enterprise funds as follows:

<u>Business-type activities:</u>	
Water	\$ 474,329
Sewer	630,397
Storm water	153,576
Nonmajor enterprise fund:	
Swimming pool	1,709
Total depreciation expense - business-type activities	\$ 1,260,011

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 11 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE

A. Lease Purchase Agreement - Fire Station Improvements

On December 2, 2002, the City entered into a lease purchase agreement with a financial institution to assist in financing the fire station building improvements. The City is leasing the “building improvements” from the financial institution. Principal and interest payments are made from the general fund.

The initial term of the lease agreement ended on December 1, 2003; however, it is renewable for successive one-year terms upon appropriation of funds to pay the rental payments. The final renewal term ends on December 1, 2022 when the remaining balance under the lease is due. At the end of the lease term, the City has the option to purchase the building improvements for \$1.

Capital assets consisting of building improvements have been capitalized in the amount of \$477,094 in the governmental activities. This amount represents the present value of the minimum lease payments at the time of acquisition. As of December 31, 2016, the Fire Station Improvements were fully depreciated.

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2017:

<u>Year Ending</u> <u>December 31,</u>	<u>Fire Station</u>
2018	\$ 30,780
2019	30,768
2020	30,717
2021	30,797
2022	<u>30,828</u>
Total minimum lease payments	153,890
Less: amount representing interest	<u>(18,790)</u>
Present value of future minimum lease payments	<u>\$ 135,100</u>

B. Lease Purchase Agreement - Fire Truck 2013

On June 26, 2013, the City entered into a lease purchase agreement with Oshkosh Capital to assist in financing a new fire truck.

General capital assets acquired by agreement have been capitalized in an amount equal to the present value of the future minimum lease payments as of the date of their inception. For the City, a corresponding liability was recorded in the government-wide financial statements. Principal and interest payments are made from the capital improvement plan fund.

Capital assets consisting of a fire truck have been capitalized in the amount of \$955,209 in the governmental activities. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of December 31, 2017 was \$171,938, leaving a book value of \$783,271.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 11 - LEASE PURCHASE AGREEMENT - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2017:

Year Ending <u>December 31,</u>	<u>Fire Truck</u>
2018	\$ 111,409
2019	111,409
2020	111,409
2021	111,409
2022	111,409
2023	<u>111,409</u>
Total minimum lease payments	668,454
Less: amount representing interest	<u>(62,925)</u>
Present value of future minimum lease payments	<u>\$ 605,529</u>

NOTE 12 - LONG-TERM OBLIGATIONS

A. Governmental Activities Long-Term Obligations

During 2017, the following changes occurred in governmental activities long-term obligations:

<u>Governmental activities:</u>	Interest Rate	Balance 12/31/16	Additions	Reductions	Balance 12/31/17	Amounts Due in One Year
<u>General obligation and revenue bonds:</u>						
Series 2014 various purpose refunding bonds	1.53%	\$ 275,000	\$ -	\$ (275,000)	\$ -	\$ -
Series 2011 building improvement refunding and revenue bonds	3.25%	96,250	-	(19,250)	77,000	19,250
Building improvement and equipment acquisition bonds	2.625%	<u>-</u>	<u>812,361</u>	<u>-</u>	<u>812,361</u>	<u>72,361</u>
Total general obligation bonds		<u>371,250</u>	<u>812,361</u>	<u>(294,250)</u>	<u>889,361</u>	<u>91,611</u>
<u>Other long-term obligations:</u>						
Compensated absences		674,355	436,486	(463,016)	647,825	357,175
Net pension liability		10,233,084	586,493	(717,645)	10,101,932	-
OPWC loans payable	0%	494,054	-	(36,539)	457,515	18,269
Lease purchase agreement - fire station		158,700	-	(23,600)	135,100	24,700
Lease purchase agreement - fire truck 2013		<u>696,733</u>	<u>-</u>	<u>(91,204)</u>	<u>605,529</u>	<u>93,849</u>
Total other long-term obligations		<u>12,256,926</u>	<u>1,022,979</u>	<u>(1,332,004)</u>	<u>11,947,901</u>	<u>493,993</u>
Total governmental activities long-term obligations		<u>\$ 12,628,176</u>	<u>\$ 1,835,340</u>	<u>\$ (1,626,254)</u>	<u>\$ 12,837,262</u>	<u>\$ 585,604</u>

CITY OF GREENVILLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Net Pension Liability

See Note 14 for additional disclosure on net pension liability.

Compensated Absences

Compensated absences are reported in the statement of net position and will be paid from the fund from which the employees' salaries are paid which will primarily be the general fund, street construction maintenance and repair fund (a nonmajor governmental fund) and public transportation fund (a nonmajor governmental fund).

OPWC Loan Payable

In prior years, the City entered into agreements with the Ohio Public Works Commission for street construction loans in the amount of \$860,042. The City made principal payments of \$36,539 on the loans in 2017. The loans are interest free and principal payments are made from the general fund. The loans are scheduled to mature in 2021 and 2047, respectively.

Lease Purchase Agreements

See Note 11 for detail on the lease purchase agreements.

Series 2011 Building Improvement Refunding and Revenue Bonds

During 2011, the City issued \$192,500 in bonds, with an interest rate of 3.25%, to pay off the land acquisition bonds and for various building improvements. The first payment was due October 11, 2012 and the bonds are scheduled to mature on October 11, 2021. The payments are made from the general fund. The bonds are general obligations of the City for which the full faith and credit of the City is pledged for repayment.

Series 2014 Various Purpose Refunding Bonds

On December 12, 2014, the City issued \$785,000 in various purpose general obligation bonds to refund the callable portion of the series 2004 various purpose bonds. These were redeemed in full January 12, 2015.

The refunding bonds bear an interest rate of 1.53% and pay interest semiannually on June 1 and December 1 of each year and matured on December 1, 2017. The refunding bonds are general obligations of the City for which the full faith and credit of the City is pledged for repayment. The bonds were fully retired during 2017.

Series 2017 Building Improvement and Equipment Acquisition Bonds

On November 21, 2017, the City issued \$812,361 in building improvement and equipment acquisition bonds. The bonds bear an interest rate of 2.625% and pay interest semiannually on June 1 and December 1 of each year and mature on December 1, 2027. The bonds are general obligations of the City for which the full faith and credit of the City is pledged for repayment.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2017 are as follows:

Year Ending December 31,	Series 2011 Building Improvement Refunding and Revenue Bonds			Series 2017 Building Improvement and Equipment Acquisition Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 19,250	\$ 2,503	\$ 21,753	\$ 72,361	\$ 21,324	\$ 93,685
2019	19,250	1,877	21,127	75,000	19,425	94,425
2020	19,250	1,251	20,501	75,000	17,457	92,457
2021	19,250	626	19,876	80,000	15,487	95,487
2022	-	-	-	80,000	13,387	93,387
2023 - 2027	-	-	-	430,000	34,520	464,520
Total	<u>\$ 77,000</u>	<u>\$ 6,257</u>	<u>\$ 83,257</u>	<u>\$ 812,361</u>	<u>\$ 121,600</u>	<u>\$ 933,961</u>

Year Ending December 31,	Russ Road and Main & Ohio Street OWPC Loans		
	Principal	Interest	Total
2018	\$ 18,269	\$ -	\$ 18,269
2019	36,539	-	36,539
2020	36,539	-	36,539
2021	36,539	-	36,539
2022	12,926	-	12,926
2023 - 2027	64,634	-	64,634
2028 - 2032	64,633	-	64,633
2033 - 2037	64,633	-	64,633
2038 - 2042	64,633	-	64,633
2043 - 2047	58,170	-	58,170
Total	<u>\$ 457,515</u>	<u>\$ -</u>	<u>\$ 457,515</u>

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2017, the City's total debt margin was \$26,250,614 and the unvoted debt margin was \$13,615,527.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 12 - LONG-TERM OBLIGATIONS - (Continued)

B. Business-Type Activities Long-Term Obligations

The following changes occurred in the City's business-type long-term obligations during 2017:

	Balance 12/31/16	Additions	Reductions	Balance 12/31/17	Amounts Due in One Year
<u>Business-type activities:</u>					
<u>General obligation bonds:</u>					
Series 2013 wastewater refunding general obligation bonds	\$ 185,000	\$ -	\$ (185,000)	\$ -	\$ -
<u>Other long-term obligations:</u>					
Compensated absences	196,455	68,484	(72,196)	192,743	84,443
Net pension liability	1,460,908	412,385	-	1,873,293	-
Total business-type activities long-term obligations	<u>\$ 1,842,363</u>	<u>\$ 480,869</u>	<u>\$ (257,196)</u>	<u>2,066,036</u>	<u>\$ 84,443</u>

Compensated absences are reported in the statement of net position and will be paid from the fund from which the employees' salaries are paid, which will primarily be the water, sewer and storm water enterprise funds.

On July 25, 2013, the City issued \$870,000 (series 2013 wastewater refunding general obligation bonds) to advance refund the callable portion of the series 2002 wastewater system revenue refunding bonds. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position.

The issuance proceeds of \$861,538 and a \$296,303 contribution from the series 2002 wastewater system revenue refunding bonds debt service reserve account were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. The principal balance outstanding of the defeased bonds was zero at December 31, 2017.

The interest rate on the series 2013 wastewater refunding general obligation bonds ranged from 2.00-2.50%. The bonds were retired through the sewer fund.

The reacquisition price exceeded the net carrying amount of the old debt by \$12,841. This amount was being netted against the new debt and amortized over the remaining life of the refunded debt.

Interest payments on the bonds are due June 1 and December 1 each year. The final maturity stated on the issue was December 1, 2017.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 13 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts, theft, or damage/destruction of assets, errors and omissions, injuries to employees and natural disasters. During 2017, the City contracted with private carriers for property and fleet insurance, general liability insurance, and various other coverages. Coverage provided during the year is as follows:

Building and Contents - replacement cost (\$1,000 deductible)		\$45,461,949
Boiler and Machinery Coverage		\$45,461,949
Inland Marine Coverage (\$1,000 deductible)		\$ 337,000
Automobile Liability (\$250 comprehensive; \$1,000 collision deductible)		\$ 1,000,000
Uninsured Motorists		\$ 1,000,000
General Liability	Limit	\$ 1,000,000
	Aggregate	\$ 3,000,000
Public Officials	Limit	\$ 1,000,000
	Aggregate	\$ 3,000,000
Umbrella Coverage		\$ 6,000,000

There have been no significant reductions in insurance coverages during 2017. Settled claims have not exceeded commercial excess coverages in any of the past three years.

B. Self-Insurance

The City operates a self-insurance plan for health care benefits. The activity of the plan is recorded in the City's Health Care internal service fund. Monies are expensed on a monthly basis by the funds participating and receipted into the internal service fund. The claims liability of \$81,870 reported on the financial statements at December 31, 2017 is based on the requirements of GASB Statement No. 10, "*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*", as amended by GASB Statement No. 30, "*Risk Financing Omnibus*", which requires that a liability for unpaid claims cost, including estimates of costs relating to incurred, but not reported claims, be reported.

Changes in claims activity for the past two years is as follows:

	<u>January 1</u>	<u>Year Claims</u>	<u>Payments</u>	<u>December 31</u>
2016	\$ 30,175	\$ 1,052,344	\$ 1,036,790	\$ 45,729
2017	45,729	1,246,268	1,210,127	81,870

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

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

GASB 68 assumes any net pension liability 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 or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *pension obligation payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 2.25%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

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

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

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0 %
Total Employer	14.0 %
Employee	10.0 %

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$382,530 for 2017. Of this amount, \$55,095 is reported as pension obligation payable.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

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

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

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

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

	<u>Police</u>	<u>Firefighters</u>
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50 %</u>	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	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 \$614,475 for 2017. Of this amount \$127,188 is reported as pension obligation payable.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2016, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2016 and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS - Traditional</u>	<u>OPERS - Combined</u>	<u>OPERS - Member- Directed</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.02006400%	0.01859000%	0.01588000%	0.12775600%	
Proportion of the net pension liability/asset current measurement date	<u>0.01970300%</u>	<u>0.01996300%</u>	<u>0.01583000%</u>	<u>0.11842700%</u>	
Change in proportionate share	<u>-0.00036100%</u>	<u>0.00137300%</u>	<u>-0.00005000%</u>	<u>-0.00932900%</u>	
Proportionate share of the net pension liability	\$ 4,474,217	\$ -	\$ -	\$ 7,501,008	\$ 11,975,225
Proportionate share of the net pension asset	-	(11,111)	(66)	-	(11,177)
Pension expense	956,459	8,027	81	816,469	1,781,036

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	\$ 6,064	\$ -	\$ 670	\$ 2,122	\$ 8,856
Net difference between projected and actual earnings on pension plan investments	666,314	2,711	57	729,445	1,398,527
Changes of assumptions	709,664	2,708	74	-	712,446
Changes in employer's proportionate percentage/difference between employer contributions	25,290	-	-	1,685	26,975
City contributions subsequent to the measurement date	362,722	13,573	6,235	614,475	997,005
Total deferred outflows of resources	<u>\$ 1,770,054</u>	<u>\$ 18,992</u>	<u>\$ 7,036</u>	<u>\$ 1,347,727</u>	<u>\$ 3,143,809</u>
Deferred inflows of resources					
Differences between expected and actual experience	\$ 26,628	\$ 5,683	\$ -	\$ 17,270	\$ 49,581
Changes in employer's proportionate percentage/difference between employer contributions	36,105	-	-	536,335	572,440
Total deferred inflows of resources	<u>\$ 62,733</u>	<u>\$ 5,683</u>	<u>\$ -</u>	<u>\$ 553,605</u>	<u>\$ 622,021</u>

\$997,005 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2018.

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

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
2018	\$ 561,197	\$ 527	\$ 118	\$ 167,463	\$ 729,305
2019	567,321	527	117	167,463	735,428
2020	235,614	410	114	100,521	336,659
2021	(19,531)	(551)	96	(159,904)	(179,890)
2022	(2)	(452)	97	(87,738)	(88,095)
Thereafter	-	(725)	259	(8,158)	(8,624)
Total	\$ 1,344,599	\$ (264)	\$ 801	\$ 179,647	\$ 1,524,783

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, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, for the defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

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

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. 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. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3% for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.75 %
Domestic equities	20.70	6.34
Real estate	10.00	4.75
Private equity	10.00	8.97
International equities	18.30	7.95
Other investments	18.00	4.92
Total	<u>100.00 %</u>	<u>5.66 %</u>

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. A discount rate of 8.00% was used in the previous measurement period. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 6,835,365	\$ 4,474,217	\$ 2,506,616
Combined Plan	799	(11,111)	(20,362)
Member-Directed Plan	158	(66)	(158)

Actuarial Assumptions – OP&F

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

CITY OF GREENVILLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented below:

Valuation date	January 1, 2016
Actuarial cost method	Entry age normal
Investment rate of return	8.25%
Projected salary increases	4.25% - 11.00%
Payroll increases	3.75%
Inflation assumptions	3.25%
Cost of living adjustments	2.60% and 3.00% simple

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

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

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2016 are summarized below:

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	4.46 %	5.21 %
Non-US Equity	16.00	4.66	5.40
Core Fixed Income *	20.00	1.67	2.37
Global Inflation			
Protected Securities *	20.00	0.49	2.33
High Yield	15.00	3.33	4.48
Real Estate	12.00	4.71	5.65
Private Markets	8.00	7.31	7.99
Timber	5.00	6.87	6.87
Master Limited Partnerships	8.00	6.92	7.36
Total	120.00 %		

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

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

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	\$ 9,990,506	\$ 7,501,008	\$ 5,391,197

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Changes Between Measurement Date and Report Date – In 2017, the OP&F Board of Trustees adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is the reduction in the discount rate from 8.25 percent to 8.00 percent. Although the exact amount of these changes is not known, it has the potential to impact the City’s net pension liability.

NOTE 15 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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 Pension and Combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

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 OPERS Board of Trustees (OPERS Board) in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer’s contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2017, local government employers contributed 14.00% of covered payroll. Each year the OPERS’ Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2017 was 1.00%.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were \$31,440, \$56,444, and \$48,802, respectively; 86.69% has been contributed for 2017 and 100% has been contributed for 2016 and 2015. The remaining 2017 post-employment health care benefits liability has been reported as pension obligation payable on the basic financial statements.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund

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

OP&F provides access to post-employment health care coverage to any person who receives or is eligible to receive a monthly service, disability or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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 statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at www.op-f.org.

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, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% 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, one account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

CITY OF GREENVILLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 15 - POSTRETIREMENT BENEFIT PLANS - (Continued)

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were \$8,944 and \$5,843 for the year ended December 31, 2017, \$7,490 and \$5,494 for the year ended December 31, 2016, and \$7,180 and \$5,547, for the year ended December 31, 2015. 100% has been contributed for 2016 and 2015. 76.44% has been contributed for police and 83.95% has been contributed for firefighters for 2017. The remaining 2017 post-employment health care benefits liability has been reported as pension obligation payable on the basic financial statements.

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 279,946
Net adjustment for revenue accruals	82,591
Net adjustment for expenditure accruals	43,926
Funds budgeted elsewhere	(96,342)
Adjustment for encumbrances	<u>135,744</u>
GAAP basis	<u>\$ 445,865</u>

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

NOTE 17 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2017.

B. Litigation

The City is involved in no material litigation as either a plaintiff or defendant.

NOTE 18 - OPERATING LEASE

On January 1, 2015, the City entered into a leasing agreement with MV Transportation, Inc in which the City is leasing part of a building for MV Transportation, Inc to perform and provide public transportation services in connection with the operation of City's Public Transportation Program. The City shall be paid \$1 per year for rental of the leased area. The City shall continue to provide and pay for all utilities at the premise except for cell phones and long distance charges which the Contractor is responsible for. The Contractor shall vacate the leased area on December 31, 2019.

CITY OF GREENVILLE, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017

NOTE 19 - FUND BALANCE

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

Fund balance	General	Capital Improvement Plan	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ 3,203	\$ -	\$ 35,476	\$ 38,679
Prepayments	<u>236,021</u>	<u>-</u>	<u>22,859</u>	<u>258,880</u>
Total nonspendable	<u>239,224</u>	<u>-</u>	<u>58,335</u>	<u>297,559</u>
Restricted:				
Capital improvements	-	812,361	-	812,361
Street construction, maintenance and repair	-	-	1,509,536	1,509,536
Transportation programs	-	-	295,167	295,167
Police and fire pension	-	-	122,956	122,956
Other purposes	<u>-</u>	<u>-</u>	<u>84,785</u>	<u>84,785</u>
Total restricted	<u>-</u>	<u>812,361</u>	<u>2,012,444</u>	<u>2,824,805</u>
Committed:				
Leisure time activity	<u>57,319</u>	<u>-</u>	<u>-</u>	<u>57,319</u>
Total committed	<u>57,319</u>	<u>-</u>	<u>-</u>	<u>57,319</u>
Assigned:				
Debt service	-	-	257,335	257,335
Capital improvements	-	164,617	-	164,617
Transportation	25	-	-	25
General government	19,831	-	-	19,831
Security of persons and property	30,301	-	-	30,301
Subsequent year appropriations	2,650,095	-	-	2,650,095
Capital outlay	1,167	-	-	1,167
Other purposes	<u>8,992</u>	<u>-</u>	<u>-</u>	<u>8,992</u>
Total assigned	<u>2,710,411</u>	<u>164,617</u>	<u>257,335</u>	<u>3,132,363</u>
Unassigned (deficit)	<u>3,557,333</u>	<u>-</u>	<u>(28,422)</u>	<u>3,528,911</u>
Total fund balances	<u>\$ 6,564,287</u>	<u>\$ 976,978</u>	<u>\$ 2,299,692</u>	<u>\$ 9,840,957</u>

CITY OF GREENVILLE, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2017**

NOTE 20 - OTHER COMMITMENTS

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

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 72,099
Capital improvement plan fund	116,187
Nonmajor governmental funds	<u>16,488</u>
Total	<u>\$ 204,774</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GREENVILLE, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST FOUR YEARS			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.019703%	0.020064%	0.019367%	0.019367%
City's proportionate share of the net pension liability	\$ 4,474,217	\$ 3,475,339	\$ 2,335,876	\$ 2,283,117
City's covered payroll	\$ 2,559,600	\$ 2,386,608	\$ 2,303,058	\$ 2,416,423
City's proportionate share of the net pension liability as a percentage of its covered payroll	174.80%	145.62%	101.42%	94.48%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	81.08%	86.45%	86.36%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.019963%	0.018590%	0.015279%	0.015279%
City's proportionate share of the net pension asset	\$ 11,111	\$ 9,046	\$ 5,883	\$ 1,604
City's covered payroll	\$ 77,708	\$ 53,492	\$ 55,850	\$ 50,931
City's proportionate share of the net pension asset as a percentage of its covered payroll	14.30%	16.91%	10.53%	3.15%
Plan fiduciary net position as a percentage of the total pension asset	116.55%	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.015830%	0.015880%	n/a	n/a
City's proportionate share of the net pension asset	\$ 66	\$ 61	n/a	n/a
City's covered payroll	\$ 65,058	\$ 88,442	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.10%	0.07%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	103.40%	103.91%	n/a	n/a

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GREENVILLE, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

	LAST FOUR YEARS			
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.11842700%	0.12775600%	0.13075930%	0.13075930%
City's proportionate share of the net pension liability	\$ 7,501,008	\$ 8,218,653	\$ 6,773,877	\$ 6,368,388
City's covered payroll	\$ 2,596,800	\$ 2,507,653	\$ 2,613,794	\$ 2,501,800
City's proportionate share of the net pension liability as a percentage of its covered payroll	288.86%	327.74%	259.16%	254.55%
Plan fiduciary net position as a percentage of the total pension liability	68.36%	66.77%	72.20%	73.00%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF GREENVILLE, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 362,722	\$ 307,152	\$ 286,393	\$ 276,367
Contributions in relation to the contractually required contribution	<u>(362,722)</u>	<u>(307,152)</u>	<u>(286,393)</u>	<u>(276,367)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,790,169	\$ 2,559,600	\$ 2,386,608	\$ 2,303,058
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 13,573	\$ 9,325	\$ 6,419	\$ 6,702
Contributions in relation to the contractually required contribution	<u>(13,573)</u>	<u>(9,325)</u>	<u>(6,419)</u>	<u>(6,702)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 104,408	\$ 77,708	\$ 53,492	\$ 55,850
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 6,235	\$ 7,807	\$ 10,613	
Contributions in relation to the contractually required contribution	<u>(6,235)</u>	<u>(7,807)</u>	<u>(10,613)</u>	
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
City's covered payroll	\$ 62,350	\$ 65,058	\$ 88,442	
Contributions as a percentage of covered payroll	10.00%	12.00%	12.00%	

Note: Information for the combined plan is unavailable prior to 2010.

Note: Information for the member directed plan is unavailable prior to 2015.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 314,135	\$ 243,821	\$ 273,413	\$ 257,906	\$ 249,915	\$ 214,442
<u>(314,135)</u>	<u>(243,821)</u>	<u>(273,413)</u>	<u>(257,906)</u>	<u>(249,915)</u>	<u>(214,442)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 2,416,423	\$ 2,438,210	\$ 2,734,130	\$ 2,891,323	\$ 3,073,985	\$ 3,063,457
13.00%	10.00%	10.00%	8.92%	8.13%	7.00%
\$ 6,621	\$ 8,003	\$ 12,200	\$ 16,956		
<u>(6,621)</u>	<u>(8,003)</u>	<u>(12,200)</u>	<u>(16,956)</u>		
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
\$ 50,931	\$ 100,667	\$ 153,459	\$ 174,985		
13.00%	7.95%	7.95%	9.69%		

CITY OF GREENVILLE, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Police:</i>				
Contractually required contribution	\$ 339,859	\$ 284,611	\$ 265,677	\$ 265,204
Contributions in relation to the contractually required contribution	<u>(339,859)</u>	<u>(284,611)</u>	<u>(265,677)</u>	<u>(265,204)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,788,732	\$ 1,497,953	\$ 1,398,300	\$ 1,395,811
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
<i>Fire:</i>				
Contractually required contribution	\$ 274,616	\$ 258,229	\$ 260,698	\$ 286,226
Contributions in relation to the contractually required contribution	<u>(274,616)</u>	<u>(258,229)</u>	<u>(260,698)</u>	<u>(286,226)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,168,579	\$ 1,098,847	\$ 1,109,353	\$ 1,217,983
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 205,790	\$ 159,705	\$ 175,059	\$ 175,591	\$ 165,761	\$ 162,647
<u>(205,790)</u>	<u>(159,705)</u>	<u>(175,059)</u>	<u>(175,591)</u>	<u>(165,761)</u>	<u>(162,647)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,295,907	\$ 1,252,588	\$ 1,373,012	\$ 1,377,184	\$ 1,300,086	\$ 1,275,663
15.88%	12.75%	12.75%	12.75%	12.75%	12.75%
\$ 245,761	\$ 203,553	\$ 213,323	\$ 219,948	\$ 220,771	\$ 208,129
<u>(245,761)</u>	<u>(203,553)</u>	<u>(213,323)</u>	<u>(219,948)</u>	<u>(220,771)</u>	<u>(208,129)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,205,893	\$ 1,180,017	\$ 1,236,655	\$ 1,275,061	\$ 1,279,832	\$ 1,206,545
20.38%	17.25%	17.25%	17.25%	17.25%	17.25%

CITY OF GREENVILLE, OHIO

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2017

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2017.

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2017.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. See the notes to the basic financial statements for the methods and assumptions in this calculation.



Dave Yost • Auditor of State

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

City of Greenville
Darke County
100 Public Square
Greenville, Ohio 45331

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 Greenville, Darke County, (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 21, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2017-001 to be a material weakness.

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.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "Y" and "O".

Dave Yost
Auditor of State
Columbus, Ohio

December 21, 2018

**CITY OF GREENVILLE
DARKE COUNTY**

**SCHEDULE OF FINDINGS
DECEMBER 31, 2017**

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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FINDING NUMBER 2017-001

Material Weakness – Financial Statement Errors

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

The following errors were identified in the City's general fund budgetary statement, which resulted in an adjustment to the budgetary statement:

- General government final budgeted expenditures were understated by \$25,400.
- Security of persons and property final budgeted expenditures were understated by \$153,207.
- Utility services final budgeted expenditures were understated by \$15,000.
- Capital outlay final budgeted expenditures were understated by \$934,157.
- Transfers out final budgeted expenditures were understated by \$261,277.

The City's financial statements contained the following errors, which were adjusted on the financial statements, due to accounting for a contract payable within the wrong fund:

- For the water fund and business-type activities, contracts payable and land/construction in progress (CIP) was overstated by \$88,809.
- For the capital improvement plan fund, contracts payable and capital outlay expenditures were understated by \$88,809.
- For the governmental activities, contracts payable and land/CIP was understated by \$88,809.

The following financial statement errors were identified, but were not adjusted:

- A receivable related to a grant was incorrectly recorded in two funds in the amount of \$24,750. This resulted in the overstatement of intergovernmental revenue and due from other governments in the general fund and governmental activities.
- Darke County made a payment of grant funds to a contractor on-behalf of the City. The receipt and disbursement for this payment was not recorded in the City's accounting system or on the financial statements, resulting in an understatement of both intergovernmental revenue and capital outlay disbursements in the amount of \$40,000 in the nonmajor governmental funds.

Failure to properly report financial activity could lead to materially misstated financial statements and users of the financial statements basing their conclusions on incorrect information.

The City should implement procedures to review the City's financial statements and verify the completeness and accuracy of amounts reported in the financial statements in accordance with applicable accounting standards.

Officials' Response: We did not receive a response from Officials to this finding.

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OHIO AUDITOR OF STATE
KEITH FABER



CITY OF GREENVILLE

DARKE 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
JANUARY 22, 2019**