Rea & associates a brighter way

City of Upper Sandusky
Wyandot County, Ohio

Audited Financial Statements

For the Year Ended
December 31, 2018

CPAs and business consultants
www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER

88 East Broad Street
Columbus, Ohio 43215
IPAReport@ohioauditor.gov
(800) 282-0370

City Council
City of Upper Sandusky
119 N. Seventh St
Upper Sandusky, OH 43351

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

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

Keith Faber
Auditor of State
Columbus, Ohio

August 13, 2019

This page intentionally left blank.

City of Upper Sandusky
Wyandot County, Ohio
Table of Contents
December 31, 2018

This page intentionally left blank.

Rea & associates a brighter way

June 24, 2019

To the Honorable Mayor and City Council
City of Upper Sandusky
Wyandot County, Ohio
119 North 7th Street
Upper Sandusky, OH 43351

Independent Auditor's Report

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

CPAs and business consultants
www.reacpa.com

Opinions

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

Emphasis of a Matter

As described in Note 2, the City restated the net position balances to account for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* and for a capital asset revaluation. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 24, 2019 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Medina, Ohio

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- In total, net position decreased $1,824,672, which represents a 6 percent decrease from 2017 restated balances. Net position of governmental activities decreased $937,182. Net position of business-type activities decreased $887,490.

- Total capital assets decreased $450,676 in 2018. Capital assets of governmental activities decreased $528,086 and capital assets of business-type activities increased $77,410.

- Outstanding debt increased from $27,110,307 to $27,540,236.

- The City implemented GASB 75 and had a revaluation of the City's capital assets, in which the net impact of these items reduced beginning net position as previously reported by $2,401,189 for governmental and increased business-type activities by $1,774,843.

Using this Annual Financial Report

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

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

Reporting the City of Upper Sandusky as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

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

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

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

Reporting the City of Upper Sandusky's Most Significant Funds

Fund Financial Statements

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

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

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

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

The City of Upper Sandusky as a Whole

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

Table 1
Net Position

	Governmental Activities			Business-Type Activities		
	2018	Restated 2017	Change	2018	Restated 2017	Change
Assets						
Current and Other Assets	$ 4,422,641	$ 4,433,733	$ (11,092)	$ 3,668,440	$ 4,163,094	$ (494,654)
Capital Assets	18,505,488	19,033,574	(528,086)	43,099,338	43,021,928	77,410
Total Assets	22,928,129	23,467,307	(539,178)	46,767,778	47,185,022	(417,244)
Deferred Outflows of Resources						
Pension & OPEB	1,049,771	1,474,783	(425,012)	377,135	710,140	(333,005)
Total Deferred Outflows of Resources	1,049,771	1,474,783	(425,012)	377,135	710,140	(333,005)
Liabilities						
Current and Other Liabilities	286,061	313,728	(27,667)	505,677	1,119,983	(614,306)
Long-Term Liabilities:						
Due within One Year	683,757	635,319	48,438	961,142	596,345	364,797
Due in More Than One Year:						
Net Pension Liability	3,842,585	4,481,585	(639,000)	1,186,318	1,754,636	(568,318)
Net OPEB Liability	3,137,760	2,937,255	200,505	786,192	747,168	39,024
Other Amounts	2,646,622	3,182,788	(536,166)	23,525,274	22,978,460	546,814
Total Liabilities	10,596,785	11,550,675	(953,890)	26,964,603	27,196,592	(231,989)
Deferred Inflows of Resources						
Property Taxes	272,000	269,000	3,000	0	0	0
Other	56,155	53,482	2,673	0	0	0
Pension & OPEB	959,429	38,220	921,209	382,009	12,779	369,230
Total Deferred Inflows of Resources	1,287,584	360,702	926,882	382,009	12,779	369,230
Net Position						
Net Investment in Capital Assets *	17,881,644	18,388,681	(507,037)	18,477,104	18,580,972	(103,868)
Restricted	1,143,105	1,093,234	49,871	0	0	0
Unrestricted	(6,931,218)	(6,451,202)	(480,016)	1,321,197	2,104,819	(783,622)
Total Net Position	$ 12,093,531	$ 13,030,713	$ (937,182)	$ 19,798,301	$ 20,685,791	$ (887,490)

*Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the net investment in capital assets for governmental or business-type activities, but has been reflected in the entity-wide total. See Note 9.

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation combined with the capital asset reappraisal also had the effect of restating net position at December 31, 2017, from $15,431,902 to $13,030,713 for governmental activities and from $18,910,948 to $20,685,791 for business-type activities.

At year end, capital assets represented 89 percent of total assets. Capital assets include land, buildings and improvements, machinery and equipment, vehicles, infrastructure and construction in progress. Net investment in capital assets for governmental activities was $17,881,644 and $18,477,104 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, $1,143,105 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is a deficit balance of $3,090,648.

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

Current and other assets for business-type activities decreased primarily due to resources utilized to purchase a street sweeper and a garbage truck. Capital assets decreased $528,086 in governmental activities due to current year depreciation exceeding additions.

Current and other liabilities for business-type activities decreased primarily due to a decrease in contracts payable due to the completion of the sewer separation project in 2017.

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

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2018	2017	Change	2018	2017	Change
Revenues						
Program Revenues:						
Charges for Services	$ 1,188,748	$ 1,293,052	$ (104,304)	$ 5,462,649	$ 5,170,929	$ 291,720
Operating Grants	412,139	374,923	37,216	0	0	0
Capital Grants	0	413,500	(413,500)	29,348	392,213	(362,865)
General Revenues:						
Property Taxes	278,449	287,260	(8,811)	0	0	0
Income Taxes	3,011,185	2,638,287	372,898	0	0	0
Grants and Entitlements	236,979	289,406	(52,427)	0	0	0
Other Local Taxes	90,014	84,114	5,900	0	0	0
Payments in Lieu of Taxes	54,503	52,270	2,233	0	0	0
Investment Earnings	59,096	18,389	40,707	0	0	0
Miscellaneous	194,552	152,064	42,488	66,105	52,443	13,662
Total Revenues	5,525,665	5,603,265	(77,600)	5,558,102	5,615,585	(57,483)
Program Expenses						
General Government	1,993,752	2,247,872	(254,120)	0	0	0
Security of Persons and Property	2,901,297	2,049,713	851,584	0	0	0
Public Health	28,355	28,994	(639)	0	0	0
Leisure Time Services	707,739	903,524	(195,785)	0	0	0
Community Development	95,732	101,835	(6,103)	0	0	0
Basic Utility Service	193,732	329,336	(135,604)	0	0	0
Transportation	902,357	916,164	(13,807)	0	0	0
Interest and Fiscal Charges	107,596	127,626	(20,030)	0	0	0
Enterprise Operations:						
Water	0	0	0	3,087,778	2,745,253	342,525
Sewer	0	0	0	1,933,548	1,465,452	468,096
Sanitation	0	0	0	956,553	897,546	59,007
Total Program Expenses	6,930,560	6,705,064	225,496	5,977,879	5,108,251	869,628
Increase (Decrease) in Net Position	(1,404,895)	(1,101,799)	(303,096)	(419,777)	507,334	(927,111)
Transfers	467,713	500,568	(32,855)	(467,713)	(500,568)	32,855
Change in Net Position	(937,182)	(601,231)	(335,951)	(887,490)	6,766	(894,256)
Net Position Beginning of Year	13,030,713	16,033,133	(3,002,420)	20,685,791	18,904,182	1,781,609
Restatement - See Note 2	0	(2,401,189)	2,401,189	0	1,774,843	(1,774,843)
Net Position End of Year	$ 12,093,531	$ 13,030,713	$ (937,182)	$ 19,798,301	$ 20,685,791	$ (887,490)

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $27,558 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of $272,357. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2018 Expenses under GASB 75	$ 6,930,560	$ 5,977,879
OPEB Expense under GASB 75	(212,090)	(60,267)
2018 Contractually Required Contributions	4,445	0
Adjusted 2018 Expenses	6,722,915	5,917,612
Total 2017 Expenses under GASB 45	6,705,064	5,108,251
Increase/(Decrease) in Expenses not Related to OPEB	$ 17,851	$ 809,361

The City's overall net position decreased $1,824,672 from the prior year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities

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

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at $100,000 and taxed at 1.0 mill would pay $35.00 annually in taxes. If three years later the home was reappraised and increased to $200,000 (and this inflationary increase in value is still comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay $35.00.

A city that is dependent upon municipal income taxes and property taxes that is hampered by a lack of revenue growth must regularly return to the voters to maintain a constant level of service. Municipal income taxes and property taxes made up 60 percent of revenues for governmental activities in calendar year 2018.

The decrease in revenues from capital grants can be primarily attributed to a USDA grant received in 2017 to help purchase a new fire truck and a market development grant received in 2017. The increase in income taxes is primarily due to the timing of receipt.

Business-Type Activities

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. In 2018, charges for services of $5,462,649 accounted for 98 percent of the business type revenues. The increase in charges for services is primarily due to an increase in wastewater rates in 2018. The decrease in capital grants is due to the OPWC grants for the sewer separation project that was completed in 2017 and for the waterline project in 2017. The total expenses increased for business-type activities due to increased contractual services for ongoing projects and from normal operating activities.

The City's Funds

Governmental Funds

As noted earlier, the City's governmental funds are accounted for using the modified accrual method of accounting. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of the fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

The general fund is the chief operating fund of the City. The fund balance of the general fund decreased by $44,940 during the current fiscal year.

The parks and recreation fund had a $211,391 decrease in fund balance primarily due to construction related to an addition to the park building.

The fund balance of the capital improvement fund increased by $19,384.

Proprietary Funds

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

Unrestricted net position of the water fund at the end of the year was $366,636, the sewer fund was $928,951, and the sanitation fund was $25,610. The total change in net position for these funds was a decrease of $699,090, a decrease of $93,144, and a decrease of $95,256, respectively. The decrease in the water fund is primarily due to transfers to governmental activities for debt payments. Other factors concerning the finances of these funds have already been addressed in the business-type activities and capital asset discussions.

General Fund Budgeting Highlights

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

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

Original Budget Compared to Final Budget During the year there was no need for any significant amendments to increase either the original estimated revenues or original budgeted appropriations.

Final Budget Compared to Actual Results The most significant differences between estimated revenues and actual revenues were as follows:

Income taxes and fines and forfeitures were less than estimated. This was due to an undetected error by the county which increased these estimates more than the City intended.

During the year, there were differences between the final budgeted appropriations and actual expenditures for general government and security of persons and property due to conservative spending.

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

Capital Assets and Debt Administration

Capital Assets

Table 3 shows fiscal year 2018 balances compared with 2017.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Land	$ 788,900	$ 788,900	$ 0	$ 0	$ 788,900	$ 788,900
Construction in Progress	0	0	1,576,499	857,493	1,576,499	857,493
Buildings and Improvements	1,148,950	974,170	15,390,346	15,909,569	16,539,296	16,883,739
Machinery and Equipment	548,591	585,530	2,585,314	2,808,406	3,133,905	3,393,936
Vehicles	1,196,097	1,255,666	827,955	538,048	2,024,052	1,793,714
Infrastructure	14,822,950	15,429,308	22,719,224	22,908,412	37,542,174	38,337,720
Total	$ 18,505,488	$ 19,033,574	$ 43,099,338	$ 43,021,928	$ 61,604,826	$ 62,055,502

See Note 7 for additional information about the capital assets of the City. Additionally, see Note 2 for information about the restatement of capital assets due to the revaluation.

Debt

Table 4 summarizes outstanding debt. See Note 9 for additional details including information regarding OWDA loan proceeds for the sewer separation and wastewater treatment plant upgrade projects.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	$ 826,308	$ 922,893	$ 0	$ 0	$ 826,308	$ 922,893
OPWC Loans	302,795	327,494	1,941,086	2,028,179	2,243,881	2,355,673
OWDA Loans	1,937,581	2,316,383	22,455,933	21,458,307	24,393,514	23,774,690
Capital Leases	76,533	57,051	0	0	76,533	57,051
Total	$ 3,143,217	$ 3,623,821	$ 24,397,019	$ 23,486,486	$ 27,540,236	$ 27,110,307

Economic Factors

The City has seen a 20 percent decrease in 2017 over 2016 in income tax revenue with a less than 1 percent increase in 2018 over 2017. With the enacting of Substitute Senate Bill Number 172, which adjusted the manner in which employers reported and paid their employees income tax deductions, the 2016 figure had been inflated since employee deductions occurring in the last quarter of 2016 previously would have been received in the first quarter of 2017. It is expected that income tax collections have cycled through and that current and future annual amounts received will be an accurate representation of the amounts reported. As in prior years we still rely heavily on the income tax revenue and will find it necessary to keep expenditures no higher than the 2017 level but as always provide basic services to its citizens.

With the City undertaking an extensive Sewer Separation project in 2016 as well as having a new waste water treatment plant in operation by 2020, the City found it necessary in 2016 to increase Sewer rates by fifty cents ($0.50) per 1000 gallons. As required by the financing agreement for the sewer separation project, the City has implemented a sewer rate increase schedule for the years 2017, 2018 and 2019. In the month of April of each listed year the sewer rate will increase by one dollar ($1.00) per 1000 gallons to cover the cost of the current sewer separation project and the upcoming waste water treatment plant upgrades. There were no changes made to the water or sanitation rates. We continue to use rate studies to be sure we are keeping up with necessary increase in order to provide the services the citizens are accustomed.

As in years past, the City has committed itself to financial excellence and will do the same in the future.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Mark Droll, Auditor of City of Upper Sandusky, 119 N. 7th Street, Upper Sandusky, Ohio 43351 or 419-294-3988.

This space intentionally left blank.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	$ 2,845,686	$ 2,745,695	$ 5,591,381
Accounts Receivable	95,784	777,355	873,139
Intergovernmental Receivable	331,910	0	331,910
Taxes Receivable	757,029	0	757,029
Notes Receivable	258,707	0	258,707
Materials and Supplies Inventory	77,370	145,390	222,760
Payments in Lieu of Taxes Receivable	56,155	0	56,155
Non-Depreciable Capital Assets	788,900	1,576,499	2,365,399
Depreciable Capital Assets, Net	17,716,588	41,522,839	59,239,427
Total Assets	22,928,129	46,767,778	69,695,907
Deferred Outflows of Resources			
Pension	764,150	313,079	1,077,229
OPEB	285,621	64,056	349,677
Total Deferred Outflows of Resources	1,049,771	377,135	1,426,906
Liabilities			
Accounts Payable	78,212	210,744	288,956
Accrued Wages	93,822	41,294	135,116
Contracts Payable	0	225,215	225,215
Intergovernmental Payable	82,523	28,424	110,947
Claims Payable	31,504	0	31,504
Long-Term Liabilities:			
Due Within One Year	683,757	961,142	1,644,899
Due In More Than One Year:			
Net Pension Liability	3,842,585	1,186,318	5,028,903
Net OPEB Liability	3,137,760	786,192	3,923,952
Other Amounts Due in More Than One Year	2,646,622	23,525,274	26,171,896
Total Liabilities	10,596,785	26,964,603	37,561,388
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	272,000	0	272,000
Payments in Lieu of Taxes	56,155	0	56,155
Pension	684,465	306,471	990,936
OPEB	274,964	75,538	350,502
Total Deferred Inflows of Resources	1,287,584	382,009	1,669,593
Net Position			
Net Investment in Capital Assets	17,881,644	18,477,104	33,839,375 *
Restricted for:			
Capital Projects	449,571	0	449,571
Other Purposes	693,534	0	693,534
Unrestricted	(6,931,218)	1,321,197	(3,090,648)
Total Net Position	$ 12,093,531	$ 19,798,301	$ 31,891,832

*Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the net investment in capital assets for governmental or business-type activities, but has been reflected in the entity-wide total. See Note 9.

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Activities
For the Year Ended December 31, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	$ 1,993,752	$ 1,120,121	$ 0	$ 0	$ (873,631)	$ 0	$ (873,631)
Security of Persons and Property	2,901,297	27,792	0	0	(2,873,505)	0	(2,873,505)
Public Health	28,355	0	0	0	(28,355)	0	(28,355)
Leisure Time Services	707,739	40,835	50,000	0	(616,904)	0	(616,904)
Community Development	95,732	0	8,504	0	(87,228)	0	(87,228)
Basic Utility Service	193,732	0	0	0	(193,732)	0	(193,732)
Transportation	902,357	0	353,635	0	(548,722)	0	(548,722)
Interest and Fiscal Charges	107,596	0	0	0	(107,596)	0	(107,596)
Total Governmental Activities	6,930,560	1,188,748	412,139	0	(5,329,673)	0	(5,329,673)
Business-Type Activities							
Water	3,087,778	2,798,002	0	29,348	0	(260,428)	(260,428)
Sewer	1,933,548	1,827,385	0	0	0	(106,163)	(106,163)
Sanitation	956,553	837,262	0	0	0	(119,291)	(119,291)
Total Business-Type Activities	5,977,879	5,462,649	0	29,348	0	(485,882)	(485,882)
Total	$ 12,908,439	$ 6,651,397	$ 412,139	$ 29,348	(5,329,673)	(485,882)	(5,815,555)

	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Property Taxes Levied for:			
General Purposes	278,449	0	278,449
Income Taxes Levied for:			
General Purposes	2,205,836	0	2,205,836
Capital Projects	346,007	0	346,007
Recreational Purposes	459,342	0	459,342
Grants and Entitlements not Restricted to Specific Programs	236,979	0	236,979
Other Local Taxes	90,014	0	90,014
Payments in Lieu of Taxes	54,503	0	54,503
Investment Earnings	59,096	0	59,096
Miscellaneous	194,552	66,105	260,657
Total General Revenues	3,924,778	66,105	3,990,883
Transfers	467,713	(467,713)	0
Change in Net Position	(937,182)	(887,490)	(1,824,672)
Net Position Beginning of Year (Restated, see Note 2)	13,030,713	20,685,791	33,716,504
Net Position End of Year	$ 12,093,531	$ 19,798,301	$ 31,891,832

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Balance Sheet
Governmental Funds
December 31, 2018

	General	Parks and Recreation	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Investments	$ 1,135,328	$ 77,810	$ 183,330	$ 1,101,417	$ 2,497,885
Accounts Receivable	71,349	0	0	24,435	95,784
Intergovernmental Receivable	129,826	50,000	0	152,084	331,910
Taxes Receivable	627,549	71,637	53,728	4,115	757,029
Notes Receivable	0	0	0	258,707	258,707
Materials and Supplies Inventory	1,427	19,874	0	56,069	77,370
Payments in Lieu of Taxes Receivable	0	0	56,155	0	56,155
Total Assets	$ 1,965,479	$ 219,321	$ 293,213	$ 1,596,827	$ 4,074,840
Liabilities					
Accounts Payable	$ 61,450	$ 7,414	$ 0	$ 9,348	$ 78,212
Accrued Wages	79,634	7,243	0	6,945	93,822
Intergovernmental Payable	66,470	4,459	0	11,594	82,523
Total Liabilities	207,554	19,116	0	27,887	254,557
Deferred Inflows of Resources					
Property Taxes Levied for the Next Year	272,000	0	0	0	272,000
Unavailable Revenue	307,709	85,347	26,511	126,489	546,056
Payments in Lieu of Taxes for the Next Year	0	0	56,155	0	56,155
Total Deferred Inflows of Resources	579,709	85,347	82,666	126,489	874,211
Fund Balances					
Nonspendable	1,427	19,874	0	56,069	77,370
Restricted	0	0	210,547	1,386,382	1,596,929
Committed	0	94,984	0	0	94,984
Assigned	644,690	0	0	0	644,690
Unassigned	532,099	0	0	0	532,099
Total Fund Balances	1,178,216	114,858	210,547	1,442,451	2,946,072
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,965,479	$ 219,321	$ 293,213	$ 1,596,827	$ 4,074,840

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2018

Total Governmental Fund Balances		$ 2,946,072
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		18,505,488
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	$ 3,513	
Income Tax	233,567	
Intergovernmental	287,467	
Charges for Services	21,509	546,056
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		316,297
The net pension liability and net OPEB liability are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	764,150	
Deferred Outflows - OPEB	285,621	
Net Pension Liability	(3,842,585)	
Net OPEB Liability	(3,137,760)	
Deferred Inflows - Pension	(684,465)	
Deferred Inflows - OPEB	(274,964)	(6,890,003)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(826,308)	
OPWC Loans	(302,795)	
OWDA Loans	(1,937,581)	
Capital Leases	(76,533)	
Compensated Absences	(187,162)	(3,330,379)
Net Position of Governmental Activities		$ 12,093,531

See accompanying notes to the basic financial statements.

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

	General	Parks and Recreation	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	$ 280,388	$ 0	$ 0	$ 0	$ 280,388
Income Taxes	2,302,385	471,573	355,180	0	3,129,138
Other Local Taxes	64,032	0	0	25,982	90,014
Charges for Services	60,738	40,835	0	0	101,573
Licenses and Permits	85,164	0	0	0	85,164
Fines and Forfeitures	670,461	0	0	329,446	999,907
Intergovernmental	236,591	0	0	361,501	598,092
Interest	59,096	0	0	8,504	67,600
Payments in Lieu of Taxes	0	0	54,503	0	54,503
Other	123,131	34,332	29,003	8,776	195,242
Total Revenues	3,881,986	546,740	438,686	734,209	5,601,621
Expenditures					
Current:					
General Government	1,633,198	0	0	332,813	1,966,011
Security of Persons and Property	2,253,157	0	0	0	2,253,157
Public Health	28,355	0	0	0	28,355
Leisure Time Services	0	765,567	54,070	0	819,637
Community Development	89,126	0	0	6,887	96,013
Basic Utility Service	0	0	193,732	0	193,732
Transportation	0	0	49,947	360,698	410,645
Debt Service:					
Principal Retirement	64,913	0	489,155	0	554,068
Interest and Fiscal Charges	9,779	0	113,145	0	122,924
Total Expenditures	4,078,528	765,567	900,049	700,398	6,444,542
Excess of Revenues Over (Under) Expenditures	(196,542)	(218,827)	(461,363)	33,811	(842,921)
Other Financing Sources (Uses)					
Inception of Capital Lease	73,464	0	0	0	73,464
Transfers In	100,000	0	480,747	9,425	590,172
Transfers Out	(22,459)	0	0	(100,000)	(122,459)
Total Other Financing Sources (Uses)	151,005	0	480,747	(90,575)	541,177
Net Change in Fund Balance	(45,537)	(218,827)	19,384	(56,764)	(301,744)
Fund Balance Beginning of Year	1,223,156	326,249	191,163	1,472,929	3,213,497
Change in Reserve for Inventory	597	7,436	0	26,286	34,319
Fund Balance End of Year	$ 1,178,216	$ 114,858	$ 210,547	$ 1,442,451	$ 2,946,072

See accompanying notes to the basic financial statements.

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

Net Change in Fund Balances - Total Governmental Funds		$ (267,425)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	$ 483,797	
Current Year Depreciation	(976,350)	(492,553)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(35,533)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	(1,939)	
Income Tax	(117,953)	
Intergovernmental	42,522	
Accounts	1,414	(75,956)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	96,585	
OPWC Loans	24,699	
OWDA Loans	378,802	
Capital Lease	53,982	554,068
Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		(73,464)
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable		15,328
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	370,457	
OPEB	4,445	374,902
Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(1,070,538)	
OPEB	(212,090)	(1,282,628)
The internal service fund used by management to charge the costs of insurance to invididual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		338,955
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		7,124
Change in Net Position of Governmental Activities		$ (937,182)

See accompanying notes to the basic financial statements.

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

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Property Taxes	$ 353,327	$ 374,680	$ 280,388	$ (94,292)
Income Taxes	2,895,008	2,895,780	2,297,377	(598,403)
Other Local Taxes	80,685	72,793	64,029	(8,764)
Charges for Services	76,553	65,136	60,750	(4,386)
Licenses and Permits	107,318	100,276	85,164	(15,112)
Fines and Forfeitures	837,161	894,588	664,342	(230,246)
Intergovernmental	298,137	303,461	236,591	(66,870)
Interest	74,469	72,653	59,096	(13,557)
Other	176,841	120,132	119,691	(441)
Total Revenues	4,899,499	4,899,499	3,867,428	(1,032,071)
Expenditures				
Current:				
General Government	1,841,628	1,861,628	1,621,443	240,185
Security of Persons and Property	2,374,557	2,417,307	2,166,618	250,689
Public Health	34,000	34,000	28,355	5,645
Community Development	91,531	91,531	89,294	2,237
Debt Service:				
Principal Retirement	67,990	67,990	64,913	3,077
Interest and Fiscal Charges	9,800	9,800	9,779	21
Total Expenditures	4,419,506	4,482,256	3,980,402	501,854
Excess of Revenues Over (Under) Expenditures	479,993	417,243	(112,974)	(530,217)
Transfers In	100,000	100,000	100,000	0
Transfers Out	0	0	(22,459)	(22,459)
Total Other Financing Sources (Uses)	100,000	100,000	77,541	(22,459)
Net Change in Fund Balance	579,993	517,243	(35,433)	(552,676)
Fund Balance Beginning of Year (Restated, See Note 2)	1,170,763	1,170,763	1,170,763	0
Fund Balance End of Year	$ 1,750,756	$ 1,688,006	$ 1,135,330	$ (552,676)

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Parks and Recreation Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Property Taxes	$ 465,384	$ 489,000	$ 469,450	$ (19,550)
Income Taxes	40,481	37,000	40,835	3,835
Intergovernmental	0	50,000	0	(50,000)
Other	34,035	15,400	34,332	18,932
Total Revenues	539,900	591,400	544,617	(46,783)
Expenditures				
Current:				
Leisure Time Services	702,362	787,362	761,774	25,588
Excess of Revenues Over (Under) Expenditures	(162,462)	(195,962)	(217,157)	(21,195)
Net Change in Fund Balance	(162,462)	(195,962)	(217,157)	(21,195)
Fund Balance Beginning of Year	294,968	294,968	294,968	0
Fund Balance End of Year	$ 132,506	$ 99,006	$ 77,811	$ (21,195)

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2018

	Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Sanitation	Total	
Assets					
Current Assets:					
Equity in Pooled Cash and Investments	$ 870,070	$ 1,454,493	$ 421,132	$ 2,745,695	$ 347,801
Accounts Receivable	396,104	266,717	114,534	777,355	0
Materials and Supplies Inventory	110,692	14,615	20,083	145,390	0
Total Current Assets	1,376,866	1,735,825	555,749	3,668,440	347,801
Non-Current Assets:					
Non-Depreciable Capital Assets	0	1,576,499	0	1,576,499	0
Depreciable Capital Assets, Net	27,836,251	13,139,422	547,166	41,522,839	0
Total Non-Current Assets	27,836,251	14,715,921	547,166	43,099,338	0
Total Assets	29,213,117	16,451,746	1,102,915	46,767,778	347,801
Deferred Outflows of Resources					
Pension	128,643	93,593	90,843	313,079	0
OPEB	25,564	17,491	21,001	64,056	0
Total Deferred Outflows of Resources	154,207	111,084	111,844	377,135	0
Liabilities					
Current Liabilities:					
Accounts Payable	47,968	137,294	25,482	210,744	0
Accrued Wages	18,151	12,985	10,158	41,294	0
Contracts Payable	0	225,215	0	225,215	0
Intergovernmental Payable	10,823	12,552	5,049	28,424	0
Claims Payable	0	0	0	0	31,504
Compensated Absences Payable	25,889	23,350	10,583	59,822	0
OPWC Loans Payable	42,093	45,000	0	87,093	0
OWDA Loans Payable	472,965	341,262	0	814,227	0
Total Current Liabilities	617,889	797,658	51,272	1,466,819	31,504
Long-Term Liabilities:					
Compensated Absences Payable - Net of Current Portion	13,851	15,724	0	29,575	0
OPWC Loans Payable - Net of Current Portion	1,043,993	810,000	0	1,853,993	0
OWDA Loans Payable - Net of Current Portion	13,959,063	7,682,643	0	21,641,706	0
Net Pension Liability	524,187	358,654	303,477	1,186,318	0
Net OPEB Liability	347,387	237,686	201,119	786,192	0
Total Long-Term Liabilities	15,888,481	9,104,707	504,596	25,497,784	0
Total Liabilities	16,506,370	9,902,365	555,868	26,964,603	31,504
Deferred Inflows of Resources					
Pension	140,226	95,112	71,133	306,471	0
OPEB	35,955	24,601	14,982	75,538	0
Total Deferred Inflows of Resources	176,181	119,713	86,115	382,009	0
Net Position					
Net Investment in Capital Assets	12,318,137	5,611,801	547,166	18,477,104 *	0
Unrestricted	366,636	928,951	25,610	1,321,197	316,297
Total Net Position	$ 12,684,773	$ 6,540,752	$ 572,776	$ 19,798,301	$ 316,297

*Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the net investment in capital assets for governmental or business-type activities, but has been reflected in the entity-wide total. See Note 9.

See accompanying notes to the basic financial statements.

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

	Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Sanitation	Total	
Operating Revenues					
Charges for Services	$ 2,798,002	$ 1,827,385	$ 837,262	$ 5,462,649	$ 1,259,391
Other	29,051	13,019	24,035	66,105	0
Total Operating Revenues	2,827,053	1,840,404	861,297	5,528,754	1,259,391
Operating Expenses					
Personal Services	828,299	587,759	515,588	1,931,646	0
Contractual Services	414,551	504,235	242,844	1,161,630	397,620
Materials and Supplies	323,287	203,649	88,873	615,809	0
Claims	0	0	0	0	522,410
Depreciation	1,048,872	469,036	54,933	1,572,841	0
Other	4,228	4,228	4,228	12,684	406
Total Operating Expenses	2,619,237	1,768,907	906,466	5,294,610	920,436
Operating Income (Loss)	207,816	71,497	(45,169)	234,144	338,955
Non-Operating Revenues (Expense)					
Loss on Sale of Capital Assets	0	0	(50,087)	(50,087)	0
Interest and Fiscal Charges	(468,541)	(164,641)	0	(633,182)	0
Total Non-Operating Revenues (Expense)	(468,541)	(164,641)	(50,087)	(683,269)	0
Income (Loss) Before Capital Contributions and Transfers	(260,725)	(93,144)	(95,256)	(449,125)	338,955
Capital Contributions	29,348	0	0	29,348	0
Transfers Out	(467,713)	0	0	(467,713)	0
Total Capital Contributions and Transfers	(438,365)	0	0	(438,365)	0
Change in Net Position	(699,090)	(93,144)	(95,256)	(887,490)	338,955
Net Position Beginning of Year (Restated, see Note 2)	13,383,863	6,633,896	668,032	20,685,791	(22,658)
Net Position End of Year	$12,684,773	$ 6,540,752	$ 572,776	$ 19,798,301	$ 316,297

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Enterprise Funds				Governmental Activities - Internal Service Fund
	Water	Sewer	Sanitation	Total	
Cash Flows from Operating Activities					
Cash Received from Customers	$ 2,803,460	$ 1,796,622	$ 833,640	$ 5,433,722	$ 1,270,544
Cash Received from Other Operating Receipts	29,051	13,019	24,035	66,105	0
Cash Payments to Suppliers for Goods and Services	(314,909)	(202,538)	(91,431)	(608,878)	0
Cash Payments to Employees for Services and Benefits	(757,627)	(544,861)	(457,641)	(1,760,129)	0
Cash Payments for Contractual Services	(414,483)	(501,626)	(243,088)	(1,159,197)	(397,620)
Cash Payments for Claims	0	0	0	0	(561,610)
Other Cash Payments	(4,228)	(4,228)	(4,228)	(12,684)	(406)
Net Cash Provided by (Used for) Operating Activities	1,341,264	556,388	61,287	1,958,939	310,908
Cash Flows from Capital and Related Financing Activities					
Capital Grants	175,736	0	0	175,736	0
Proceeds of OWDA Loans	0	1,793,331	0	1,793,331	0
Acquisition of Capital Assets	(281,164)	(1,830,747)	(317,682)	(2,429,593)	0
Proceed from Sale of Capital Assets	3,835	0	0	3,835	0
Transfers Out for Capital Debt Retirement	(467,713)	0	0	(467,713)	0
Principal Payments on Debt	(500,773)	(382,025)	0	(882,798)	0
Interest Payments on Debt	(468,541)	(69,238)	0	(537,779)	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,538,620)	(488,679)	(317,682)	(2,344,981)	0
Net Increase (Decrease) in Cash and Investments	(197,356)	67,709	(256,395)	(386,042)	310,908
Cash and Investments Beginning of Year	1,067,426	1,386,784	677,527	3,131,737	36,893
Cash and Investments End of Year	$ 870,070	$ 1,454,493	$ 421,132	$ 2,745,695	$ 347,801
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating Income (Loss)	$ 207,816	$ 71,497	$ (45,169)	$ 234,144	$ 338,955
Adjustments:					
Depreciation	1,048,872	469,036	54,933	1,572,841	0
(Increase) Decrease in Assets and Deferred Outflows:					
Accounts Receivable	5,458	(1,254)	(3,622)	582	11,153
Materials and Supplies Inventory	(7,369)	(30,763)	(4,061)	(42,193)	0
Deferred Outflows - Pension/OPEB	156,754	112,119	64,132	333,005	0
Increase (Decrease) in Liabilities and Deferred Inflows:					
Accounts Payable	15,444	(226)	1,099	16,317	0
Accrued Wages	(629)	(733)	(1,230)	(2,592)	0
Claims Payable	0	0	0	0	(39,200)
Compensated Absences Payable	5,542	(6,950)	2,486	1,078	0
Intergovernmental Payable	451	5,209	161	5,821	0
Deferred Inflows - Pension/OPEB	169,120	116,481	83,629	369,230	0
Net Pension Liability	(269,577)	(184,448)	(114,293)	(568,318)	0
Net OPEB Liability	9,382	6,420	23,222	39,024	0
Net Cash Provided by (Used For) Operating Activities	$ 1,341,264	$ 556,388	$ 61,287	$ 1,958,939	$ 310,908

Noncash Capital Financing Activities:
The City purchased $225,215 and $954,470 of capital assets on account in 2018 and 2017, respectively.

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2018

	Agency Funds
Assets	
Cash and Investments in Segregated Accounts	$ 37,935
Total Assets	$ 37,935
Liabilities	
Accounts Payable	$ 5,291
Payroll Withholdings	8,791
Undistributed Monies	23,853
Total Liabilities	$ 37,935

See accompanying notes to the basic financial statements.

NOTE 1 -- DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

The City of Upper Sandusky (the City) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City operates under the mayor-council form of charter government as approved on October 25, 1976. The City provides police protection within its boundaries and fire protection to its citizens and adjacent townships. The City provides basic utilities in the form of water, wastewater treatment and sanitation pick up. The City constructs and maintains streets and sidewalks within the City. The City also operates a swimming pool and maintains three parks.

Reporting Entity: A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financials 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.

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; the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Components units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes. The City has no component units.

The City's Municipal Court has been included in the City's financial statements as an agency fund. The judge is an elected city official who has a fiduciary responsibility for the collection and distribution of court fees and fines.

Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

NOTE 2 -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Following are the most significant of the City's accounting policies.

A. BASIS OF PRESENTATION

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

Government-wide Financial Statements

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

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions restricted to meeting the operational or capital requirements of 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 function is self-financing or draws from the general revenues of the City.

Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the invested in capital assets, net of related debt for the governmental or business-type activities but has been reflected in the entity-wide total. See Note 9.

Fund Financial Statements

During the year, the City segregates transactions related to certain City programs 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 a more detail level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

B. FUND ACCOUNTING

The City uses funds to report on financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary.

Governmental Funds

Governmental funds focus 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 be or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General Fund - The general fund is used to account for all financial resources except those required to be accounted for 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.

Parks and Recreation fund – The park and recreation fund accounts the operations of the City pool and maintenance of various City parks.

Capital Improvements Fund - The capital improvements fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.

The other governmental funds of the City are for grants and other resources, debt service, and capital projects to which the City is bound to observe constraints imposed upon the use of the resources.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as either enterprise or internal service.

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

Water Fund - This fund accounts for the financial transactions related to water operations of the City.

Sewer Fund - This fund accounts for the financial transactions related to the sewer treatment service operations of the City.

Sanitation Fund - This fund accounts for the financial transactions related to the refuse pickup operations of the City.

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

Fiduciary Funds

Fiduciary funds 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. Presently, the City has no trust funds, investment trust funds or private-purpose trust funds. The City's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City presently has three agency funds, Medical Reimbursements, Municipal Court and Payroll Agency Funds.

C. MEASUREMENT FOCUS

Government-Wide Financial Statements

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities 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 net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. BASIS OF ACCOUNTING

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

Revenues - Exchange and Non-exchange Transactions

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

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

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

Deferred Inflows of Resources and Deferred Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 11 and 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue may include delinquent property taxes, income taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12).

Expenses/Expenditures

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

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

E. BUDGET

An annual appropriated budget is required by law to be prepared for all funds of the City other than agency funds. Council passes appropriations at the fund, department and object level. Council must approve any revisions in the budget that alter appropriations at this legal level of control.

The following are the procedures used by the City in establishing the budgetary data reported in the basic financial statements:

Tax Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

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

Appropriations

A temporary appropriation resolution to control expenditures may be passed on or about January 1 of each year for the period of January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution fixes spending authority at the fund, department, and object level. The appropriation resolution 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 allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. Several supplemental appropriation ordinances were legally enacted by Council during the year. The budget figures, which appear in the statement of budgetary comparisons, present the original and final appropriation amounts including all amendments and modifications.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Lapsing of Appropriations

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

F. DEPOSITS

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

During 2018, investments were limited to CDARS. Except for nonparticipating investment contracts, investments are reported at fair value. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during year 2018 amounted to $59,096 which included $46,948 assigned from other funds of the City.

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented on the statement of fiduciary assets and liabilities as "Cash and Investments in Segregated Accounts" since they are not required to be deposited into the City's treasury.

For presentation on the financial statements, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as “investments.”

G. INVENTORIES

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expense when used.

On the 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 consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reporting of inventories on the accrual basis is expensed when used.

H. 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 government funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of $5,000. Public domain ("infrastructure") general capital assets consisting of roads, highways, tunnels, bridges, curbs, sidewalks, fire hydrants, guard rails, landscaping, streets, drainage systems and lighting systems have been capitalized under requirements of the Governmental Accounting Standards Board. Improvements are capitalized and 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.

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

Description	Estimated Lives
Buildings and Improvements	20 - 40 Years
Machinery and Equipment	5 - 20 Years
Vehicles	8 Years
Infrastructure	50 Years

I. INTERFUND BALANCES

On fund financial statements, transactions representing services rendered between funds are classified as "Due to Other Funds" and "Due from Other Funds". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

J. COMPENSATED ABSENCES

Compensated absences of the City consist of vacation leave, holiday, personal, compensatory and sick leave to the extent that payment to the employee for these absences are attributed to services already rendered and are not contingent on a specific event that is outside the control of the City.

The City reports compensated absences in accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to payment are attributable to services already rendered; and it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement.

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration any limits specified in the City’s termination policy. The City records a liability for all accumulated unused vacation time when earned for all employees. The entire compensated absence liability is reported on the government-wide financial statements.

K. PENSIONS/OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

M. FUND BALANCE

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

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

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

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

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

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

N. NET POSITION

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. At year-end, there was no net position restricted for enabling legislation.

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

O. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the City, these revenues are service charges for water, sewer, sanitation, and self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenue and expenses not meeting these definitions are classified as non-operating.

P. CONTRIBUTION OF CAPITAL

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

Q. INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the governmental-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 transfers in or out. Transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expense in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

R. EXTRAORDINARY AND SPECIAL ITEMS

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

S. ESTIMATES

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

T. IMPLEMENTATION OF NEW ACCOUNTING POLICIES AND RESTATEMENT OF NET POSITION/FUND BALANCE

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

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

In addition, the City had a re-appraisal of their capital assets performed. As a result, capital asset balance required a restatement.

An error in the calculation of the general fund's 2017 budgeted ending balance resulted in the restatement of the beginning fund balance in the general fund budget from $1,158,762 to $1,170,763.

	Governmental Activities	Business-Type Activities
Net Position, December 31, 2017	$ 15,431,902	$ 18,910,948
Adjustments:		
Change in Capital Assets	518,269	2,512,250
Net OPEB Liability	(2,937,255)	(747,168)
Deferred Outflow-Payments		
Subsequent to Measurement Date	17,797	9,761
Restated Net Position, December 31, 2017	$ 13,030,713	$ 20,685,791

	Water	Sewer	Sanitation	Total Business-Type Activities
Net Position, December 31, 2017	$ 11,799,587	$ 6,283,367	$ 827,994	$ 18,910,948
Adjustments:				
Change in Capital Assets	1,917,865	578,774	15,611	2,512,250
Net OPEB Liability	(338,005)	(231,266)	(177,897)	(747,168)
Deferred Outflow-Payments				
Subsequent to Measurement Date	4,416	3,021	2,324	9,761
Restated Net Position, December 31, 2017	$ 13,383,863	$ 6,633,896	$ 668,032	$ 20,685,791

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available. During 2018, the City also underwent a revaluation of the City's capital assets. The net effect on beginning net position is included in the table above.

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

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

NOTE 3 -- BUDGET BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The "statement of revenue, expenditures, and changes in fund balance - budget (non-GAAP basis) and actual" 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:

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

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

3. 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 a restriction, commitment or assignment of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general and parks and recreation funds are as follows:

Net Change in Fund Balance

	General Fund	Parks and Recreation Fund
GAAP Basis	$ (45,537)	$ (218,827)
Net Adjustment for Revenue Accruals	(14,558)	(2,123)
Net Adjustment for Expenditure Accruals	28,420	3,793
Adjustment for Encumbrances	(3,758)	0
Budget Basis	$ (35,433)	$ (217,157)

NOTE 4 -- DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

1. United States Treasury bills, bonds, notes 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 obligation or security issued by any federal government agency or instrumentality, including but not limited to the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

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

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

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

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

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

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

Cash on Hand

At December 31, 2018 the City had $675 in undeposited cash on hand, which is included as part of "Equity in Pooled Cash and Investments."

Deposits

At year-end, $705,314 of the City's bank balance of $5,061,878 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the City's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Custodial Credit Risk

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

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

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

NOTE 5 -- RECEIVABLES

Receivables at December 31, 2018, consisted primarily of municipal income taxes, property and other taxes, due from other governments arising from entitlements, shared revenues, accounts (billings for utility service), revenue in lieu of taxes, and notes receivable. No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Property Taxes

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

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

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

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

The full tax rate for all City operations for the year ended December 31, 2018, was $3.80 per $1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	$ 111,923,480
Public Utilities - Real	25,890
Public Utilities - Personal	5,471,020
	$ 117,420,390

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

Income Taxes

The City levies and collects an income tax of 1 percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Council has authority to establish re-allocation of income tax as needed. After defraying all necessary costs of collecting, administering, and enforcing the tax, the balance shall be allocated 72 percent to the general fund, 16 percent to the parks and recreation fund and 12 percent to the capital improvement fund.

NOTE 6 -- Risk Management

The City is exposed to various risks of loss related to torts, theft of, and damage to, and destruction of assets, injuries to employees, and natural disasters.

Commercial Insurance

The City has obtained commercial insurance for comprehensive property, general liability, and vehicles.

There has not been a significant reduction in commercial coverage from the prior year and settled claims have not exceeded coverage in any of the last three years.

Workers Compensation

Workers compensation coverage is provided by the State. The City pays State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

Health and Prescription Coverage

Effective January 1, 2016 the City began providing medical and dental insurance to its employees through a self-insurance plan. The City pays a monthly administrative premium, including a stop-loss fee, for the self-insurance plan. The City contracts with a third-party administrator to direct this program. During 2018, self-insurance was in effect for claims up to $35,000 per covered individual and $1,000,000 in aggregate. Any claims exceeding these thresholds are covered by a stop-loss insurance policy.

At December 31, 2018, $31,504 has been accrued for self-insurance claims. The claims liability reported in the self-insurance fund is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This represents estimates to be paid for medical and prescription unpaid claims costs, including an estimate of costs relating to incurred but not yet reported claims based on the current information available.

A reconciliation of the changes in the balance of claims liabilities during 2017 and 2018 follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2017	$ 115,527	$ 876,796	$ 921,619	$ 70,704
2018	70,704	522,410	561,610	31,504

NOTE 7 -- CAPITAL ASSETS

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

	Restated Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	$ 788,900	$ 0	$ 0	$ 788,900
Total Capital Assets, Not Being Depreciated	788,900	0	0	788,900
Capital Assets, Being Depreciated				
Buildings and Improvements	4,495,072	282,715	0	4,777,787
Machinery and Equipment	1,468,388	65,885	(37,124)	1,497,149
Infrastructure	27,125,075	0	0	27,125,075
Vehicles	2,344,751	135,197	(330,919)	2,149,029
Total Capital Assets, Being Depreciated	35,433,286	483,797	(368,043)	35,549,040
Accumulated Depreciation				
Buildings and Improvements	(3,520,902)	(107,935)	0	(3,628,837)
Machinery and Equipment	(882,858)	(76,285)	10,585	(948,558)
Infrastructure	(11,695,767)	(606,358)	0	(12,302,125)
Vehicles	(1,089,085)	(185,772)	321,925	(952,932)
Total Accumulated Depreciated	(17,188,612)	(976,350)	332,510	(17,832,452)
Total Capital Assets Being Depreciated, Net	18,244,674	(492,553)	(35,533)	17,716,588
Governmental Activities, Capital Assets, Net	$ 19,033,574	$ (492,553)	$ (35,533)	$ 18,505,488

General Government:	
Legislative and Executive	$ 32,199
Judicial	15,290
Security of Persons and Property	162,631
Transportation	586,613
Leisure Time Activities	179,617
Total Depreciation	$ 976,350

	Restated Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Business-Type Activities				
	Water			
Capital Assets, Not Being Depreciated				
Construction in Progress	$ 333,918	$ 162,027	$ (495,945)	$ 0
Capital Assets, Being Depreciated				
Buildings and Improvements	18,304,765	0	0	18,304,765
Machinery and Equipment	3,608,229	18,200	0	3,626,429
Infrastructure	18,562,580	495,945	0	19,058,525
Vehicles	165,668	87,228	0	252,896
Total Capital Assets, Being Depreciated	40,641,242	601,373	0	41,242,615
Accumulated Depreciation				
Buildings and Improvements	(3,300,951)	(460,998)	0	(3,761,949)
Machinery and Equipment	(1,288,455)	(218,313)	0	(1,506,768)
Infrastructure	(7,708,812)	(350,561)	0	(8,059,373)
Vehicles	(59,274)	(19,000)	0	(78,274)
Total Accumulated Depreciated	(12,357,492)	(1,048,872)	0	(13,406,364)
Total Capital Assets Being Depreciated, Net	28,283,750	(447,499)	0	27,836,251
Business-Type Activities, Capital Assets, Net	$ 28,617,668	$ (285,472)	$ (495,945)	$ 27,836,251
	Sewer			
Capital Assets, Not Being Depreciated				
Construction in Progress	$ 523,575	$ 1,052,924	$ 0	$ 1,576,499
Capital Assets, Being Depreciated				
Buildings and Improvements	2,553,439	0	0	2,553,439
Machinery and Equipment	1,718,017	0	0	1,718,017
Infrastructure	18,611,792	0	0	18,611,792
Vehicles	359,017	62,277	0	421,294
Total Capital Assets, Being Depreciated	23,242,265	62,277	0	23,304,542
Accumulated Depreciation				
Buildings and Improvements	(1,647,684)	(58,225)	0	(1,705,909)
Machinery and Equipment	(1,269,922)	(33,792)	0	(1,303,714)
Infrastructure	(6,557,148)	(334,572)	0	(6,891,720)
Vehicles	(221,330)	(42,447)	0	(263,777)
Total Accumulated Depreciated	(9,696,084)	(469,036)	0	(10,165,120)
Total Capital Assets Being Depreciated, Net	13,546,181	(406,759)	0	13,139,422
Business-Type Activities, Capital Assets, Net	$ 14,069,756	$ 646,165	$ 0	$ 14,715,921

	Restated Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Business-Type Activities				
	Sanitation			
Capital Assets, Being Depreciated				
Machinery and Equipment	$ 46,000	$ 15,050	$ 0	$ 61,050
Vehicles	627,798	302,632	(207,732)	722,698
Total Capital Assets, Being Depreciated	673,798	317,682	(207,732)	783,748
Accumulated Depreciation				
Machinery and Equipment	(5,463)	(4,237)	0	(9,700)
Vehicles	(333,831)	(50,696)	157,645	(226,882)
Total Accumulated Depreciated	(339,294)	(54,933)	157,645	(236,582)
Business-Type Activities, Capital Assets, Net	$ 334,504	$ 262,749	$ (50,087)	$ 547,166

NOTE 8 -- COMPENSATED ABSENCES

The City accrues unpaid vacation and compensation time as it is earned and certain portions of sick leave pay as payment becomes probable.

Sick leave accumulates at the rate of .0575 hours of sick leave for each hour of work completed with a maximum of 80 hours per pay period. Sick leave is accumulated and may be converted into cash upon retirement with more than ten years of service at the rate of 30 percent for all employees of the police and fire department to a maximum of 600 hours and a maximum of 480 hours for all other personnel. Individuals leaving the employment of the City prior to retirement or at retirement with less than ten years of service lose their accumulated sick leave. At December 31, 2018, the maximum vested liability to the City for accumulated unpaid sick leave, assuming the City would have to pay all accumulated sick leave if the City ceased operations is estimated at $107,225. A liability has been recognized in the accompanying financial statements for sick leave for only the employees who have ten years of service and are age 50 or older, or have thirty years with local government employment.

A liability for accrued vacation and holidays of $169,334 has been recognized. Vacation is accumulated based upon length of service as follows:

Employee Service	Vacation Credit
After 1 year	2 weeks
After 8 years	3 weeks
After 15 years	4 weeks
After 22 years	5 weeks

Vacation leave must be used within the current calendar year unless the employee is unable to use his vacation due to the operational needs of the Employer. Without this, such excess leave is eliminated from the employee’s leave balance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation.

NOTE 9 -- LONG TERM LIABILITIES

The City's long-term obligations at year-end and a schedule of current year activity follows:

	Restated Balance 12/31/2017	Additions	Deductions	Balance 12/31/2018		Amount Due Within One Year
Governmental Activities:						
OWDA - 2002 Reservoir Construction	$ 2,316,383	$ 0	$ 378,802	$ 1,937,581	*	$ 396,621
OPWC - 2004 Rock Run Road Improvements	26,740	0	3,820	22,920	*	3,820
OPWC - 2005 CSO Removal	94,820	0	12,642	82,178	*	12,642
OPWC - 2011 Commerce Drive Storm Drainage	205,934	0	8,237	197,697	*	8,237
	327,494	0	24,699	302,795		24,699
Capital Improvement Bonds - 2005	278,000	0	28,000	250,000	*	30,000
Fire Truck Bond, Series 2014	300,893	0	38,985	261,908		40,252
Fire Truck Bond, Series 2017	344,000	0	29,600	314,400		30,600
Net Pension Liability	4,481,585	0	639,000	3,842,585		0
Net OPEB Liability	2,937,255	200,505	0	3,137,760		0
	7,418,840	200,505	639,000	6,980,345		100,852
Compensated Absences	194,286	100,056	107,180	187,162		109,512
Capital Leases	57,051	73,464	53,982	76,533	*	52,073
Total Governmental Activities	$ 11,236,947	$ 374,025	$ 1,300,248	$ 10,310,724		$ 683,757

*These debt issues are recorded in governmental activities to finance assets of the business-type activities. See notation on pages 13 and 20 for a further description of the presentation on the statement of net position.

	Restated Balance 12/31/2017	Additions	Deductions	Balance 12/31/2018	Amount Due Within One Year
Business-Type Activities:					
OWDA - 2010 WTP & Storage Tower	$ 13,052,663	$ 0	$ 374,573	$ 12,678,090	$ 387,074
OWDA - 2013 Warpole Waterlines installed	471,326	0	13,431	457,895	13,794
OWDA - 2013 NE Quadrant Waterlines	1,366,719	0	70,676	1,296,043	72,097
OWDA - 2016 Sewer Separation	6,417,460	818,474	337,025	6,898,909	341,262
OWDA - 2017 WWTP Upgrades CSO Planning	150,139	974,857	0	1,124,996	0
	21,458,307	1,793,331	795,705	22,455,933	814,227
OPWC - 2013 Elevated Tank Painting	441,666	0	16,667	424,999	16,667
OPWC - 2013 Waterline replacement	311,373	0	11,532	299,841	11,532
OPWC - 2013 Waterline replacement	375,140	0	13,894	361,246	13,894
OPWC - 2016 Sewer Separation	900,000	0	45,000	855,000	45,000
	2,028,179	0	87,093	1,941,086	87,093
Net Pension Liability	1,754,636	0	568,318	1,186,318	0
Net OPEB Liability	747,168	39,024	0	786,192	0
	2,501,804	39,024	568,318	1,972,510	0
Compensated Absences	88,319	51,650	50,572	89,397	59,822
Total Business-Type Activities	$ 26,076,609	$ 1,884,005	$ 1,501,688	$ 26,458,926	$ 961,142

The OWDA loan financed the 2002 reservoir construction project in the amount of $6,234,116. The retirement of this 4.65 percent interest loan will be made by the capital improvement fund. This loan is scheduled to mature on July 1, 2023.

The OPWC loan financed the 2004 Rock Run Road improvements in the amount of $76,400. The retirement of this 0.0 percent interest loan will be made by the capital improvement fund. This loan is scheduled to mature on July 1, 2024.

The OPWC loan financed the 2005 Crawford/Hicks CSO removal in the amount of 252,849. The retirement of this 0.0 percent interest loan will be made by the capital improvement fund. This loan is scheduled to mature on January 1, 2025.

The OPWC loan financed the 2011 project entitled Commerce Drive Storm Drainage improvements in the amount of $247,119. The retirement of this 0.0 percent interest loan will be made by the capital improvement fund. This loan is scheduled to mature on July 1, 2042.

Outstanding general obligation bonds consist of WWTP improvements and two fire trucks. General obligation bonds are a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from the general and capital improvement funds.

The Capital Improvement Bond, Series 2005 was issued for the purpose of paying the costs of improvements East Wyandot Avenue. This bond is a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City in the capital improvement fund. The interest on this bond is 3 percent to 4.8 percent and is scheduled to mature in August 2025.

The Fire Truck Bond-Series 2014 financed the purchase of a 2013 Pierce Velocity Chassis fire truck. This bond is a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City in the capital improvement fund. The interest on this bond is 3.25 percent and is scheduled to mature in February 2024.

The Fire Truck Bond-Series 2017 financed the purchase of a 2012 Pierce Ladder fire truck. This bond is a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City in the capital improvement fund. The interest on this bond is 3.25 percent and is scheduled to mature in October 2027.

The OWDA loan financed the new 2010 water treatment and storage tower in the amount of $16,209,357. The retirement of this 3.31 percent interest loan will be made by the water fund. This loan is scheduled to mature on July 1, 2041.

The OWDA loan financed the 2013 waterline project on Warpole Street in the amount of $533,351. The retirement of this 2.69 percent interest loan will be made by the water fund. This loan is scheduled to mature on January 1, 2043.

The OWDA loan financed the 2013 waterline project on the NE Quadrant and tank painting in the amount of $1,603,297. The retirement of this 2 percent interest loan will be made by the water fund. This loan is scheduled to mature on July 1, 2034.

The OWDA loan financed the 2016 sewer separation on various streets in the amount of $7,389,021. The retirement of this 1.0 percent interest loan will be made by the sewer fund. This loan is scheduled to mature on July 1, 2037.

The OWDA loan financed the 2017 wastewater treatment plant upgrades in the amount of $1,124,996. As of December 31, 2018 was fully disbursed; however, no amortization schedule is available. The retirement of this 0.0 percent interest loan will be made by the sewer fund. This loan is scheduled to mature on January 1, 2023.

The OPWC loan financed the 2013 project entitled Elevated tank repainting in the amount of $500,000. The retirement of this 0.0 percent interest loan will be made by the water fund with bi-annual payments of $8,333. This loan is scheduled to mature on January 1, 2044.

The OPWC loan financed the various 2013 waterline projects in the amount of $345,969. The retirement of this 0.0 percent interest loan will be made by the water fund with bi-annual payments of $5,766. This loan is scheduled to mature on July 1, 2044.

The OPWC loan financed the various 2013 waterline projects in the amount of $416,822. The retirement of this 0.0 percent interest loan will be made by the water fund with bi-annual payments of $6,947. This loan is scheduled to mature on July 1, 2044.

The OPWC loan financed the 2016 sewer separation on various streets in the amount of $900,000. The retirement of this 0.0 percent interest loan will be made by the sewer fund with bi-annual payments of $22,500. This loan is scheduled to mature on January 1, 2037.

The capital lease for governmental activities will be paid from the general fund; the business-type activities lease will be paid from the capital improvement fund. Compensated absences will be paid from the funds which the employee's salaries are paid, typically the general fund, the water fund, the sewer fund and the sanitation fund. There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund and water, sewer, and sanitation funds. For additional information related to the net pension liability and net OPEB liability see Notes 11 and 12.

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2018 are as follows:

Governmental Activities

Year	OWDA Loans		OPWC Loans	Bonds		Totals	
Ending December 31,	Principal	Interest	Principal	Principal	Interest	Principal	Interest
2019	$ 396,621	$ 75,583	$ 24,699	$ 100,852	$ 30,043	$ 522,172	$ 105,626
2020	415,278	57,533	24,700	105,160	26,438	545,138	83,971
2021	434,813	40,730	24,700	108,611	22,603	568,124	63,333
2022	455,267	23,134	24,700	113,006	18,653	592,973	41,787
2023	235,602	4,712	24,700	118,546	14,499	378,848	19,211
2024-2028	0	0	63,969	280,133	18,746	344,102	18,746
2029-2033	0	0	41,185	0	0	41,185	0
2034-2038	0	0	41,190	0	0	41,190	0
2039-2042	0	0	32,952	0	0	32,952	0
	$ 1,937,581	$ 201,692	$ 302,795	$ 826,308	$ 130,982	$ 3,066,684	$ 332,674

Business-Type Activities					
Year	OWDA Loans		OPWC Loans	Total	
Ending December 31,	Principal	Interest	Principal	Principal	Interest
2019	$ 814,227	$ 522,394	$ 87,093	$ 901,320	$ 522,394
2020	832,391	504,232	87,093	919,484	504,232
2021	851,056	485,565	87,093	938,149	485,565
2022	870,243	466,378	87,093	957,336	466,378
2023	889,966	446,654	87,093	977,059	446,654
2024-2028	4,765,649	1,916,757	435,465	5,201,114	1,916,757
2029-2033	5,349,398	1,333,707	435,465	5,784,863	1,333,707
2034-2038	4,947,114	682,425	390,464	5,337,578	682,425
2039-2043	2,010,893	102,040	210,466	2,221,359	102,040
2044-2045	0	0	33,761	33,761	0
	$ 21,330,937	$ 6,460,152	$ 1,941,086	$ 23,272,023	$ 6,460,152

The above principal and interest requirements for OWDA loans exclude the loan for the wastewater treatment plant upgrades, as an amortization schedule is not yet available.

The City has pledged future water revenue and sewer revenue, net of specified operating expenses to repay $24,397,019 of Ohio Public Works Commission (OPWC) and Ohio Water Development Authority (OWDA). Annual principal and interest payments, as a percentage of net customer revenues, on the loans are expected to be similar over the term of the loans as in the current year, which were 79 percent. The total principal and interest remaining to be paid on the loans is $29,732,175. This excludes interest applicable to the OWDA loan for wastewater treatment plant upgrades as an amortization schedule is not available. Principal and interest paid for the current year and total net revenues were $1,420,577 and $1,797,221, respectively.

NOTE 10 -- CAPITAL LEASES

The City has entered into a lease agreement as lessee for financing the acquisition of a sewer camera. This lease agreement qualifies as a capital lease for accounting purposes (equipment purchase option at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments as of the date of inception. The cost of the capital lease is included in the governmental activities. The original cost of the asset acquired under capital lease and included in the governmental activities was $87,024 with accumulated depreciation of $10,334.

During 2018, the City entered into a lease agreement as lessee for financing the acquisition of two police cruisers and equipment. This lease agreement qualifies as a capital lease for accounting purposes (purchase option at the end of the lease term) and, therefore, has been recorded at the present value of the future minimum lease payments of as of the date of inception. The cost of the capital lease is included in the governmental activities. The original cost of the assets acquired under the capital lease and included in the governmental activities was $73,464 with accumulated depreciation of $4,102.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at December 31, 2018:

Year Ending December 31,		Governmental Activities
2019	$	55,901
2020		25,928
Total Minimum Lease Payments		81,829
Less Amount Representing Interest		(5,296)
Present Value of Future Minimum Lease Payments	$	76,533

NOTE 11 -- DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $341,562 for 2018. Of this amount, $52,237 is reported as an intergovernmental payable.

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

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

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

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $175,767 for 2018. Of this amount, $32,804 is reported as an intergovernmental payable.

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

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

	OPERS		OPF		Total
Proportion of the Net Pension Liability:					
Current Measurement Period	0.017586%		0.036986%		
Prior Measurement Period	0.018397%		0.040142%		
Change in Proportion	-0.000811%		-0.003156%		
Proportionate Share of the Net Pension Liability	$ 2,758,880	$	2,270,023	$	5,028,903
Pension Expense	$ 594,535	$	735,549	$	1,330,084

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

	OPERS	OPF	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	2,818	34,449	37,267
Changes of Assumptions	329,703	98,916	428,619
Changes in Proportionate Share	46,218	47,796	94,014
City Contributions Subsequent to the Measurement Date	341,562	175,767	517,329
Total Deferred Outflows of Resources	$ 720,301	$ 356,928	$ 1,077,229
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 54,369	$ 4,107	$ 58,476
Net Difference between Projected and Actual Earnings on Pension Plan Investments	592,293	78,526	670,819
Changes in Proportionate Share	96,101	165,540	261,641
Total Deferred Inflows of Resources	$ 742,763	$ 248,173	$ 990,936

$517,329 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2019	$ 236,191	$ 35,510	$ 271,701
2020	(98,222)	14,864	(83,358)
2021	(258,611)	(66,465)	(325,076)
2022	(243,382)	(47,587)	(290,969)
2023	0	(2,457)	(2,457)
Thereafter	0	(877)	(877)
	$ (364,024)	$ (67,012)	$ (431,036)

Actuarial Assumptions - OPERS

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's Proportionate Share of the Net Pension Liability	$ 4,899,068	$ 2,758,880	$ 974,608

Actuarial Assumptions – OP&F

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

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

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's Proportionate Share of the Net Pension Liability	$ 3,146,812	$ 2,270,023	$ 1,554,875

NOTE 12 -- Defined Benefit OPEB Plans

Net OPEB Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The City's contractually required contribution to OP&F was $4,445 for 2018. Of this amount, $1,963 is reported as an intergovernmental payable.

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

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

	OPERS	OPF	Total
Proportion of the Net OPEB Liability:			
Current Measurement Period	0.016837%	0.036986%	
Prior Measurement Period	0.017613%	0.040142%	
Change in Proportion	-0.000776%	-0.003156%	
Proportionate Share of the Net OPEB Liability	$ 1,828,355	$ 2,095,597	$ 3,923,952
OPEB Expense	$ 127,313	$ 145,044	$ 272,357

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

	OPERS	OPF	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 1,424	$ 0	$ 1,424
Changes of Assumptions	133,123	204,484	337,607
Changes in Proportionate Share	6,201	0	6,201
City Contributions Subsequent to the Measurement Date	0	4,445	4,445
Total Deferred Outflows of Resources	$ 140,748	$ 208,929	$ 349,677
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 0	$ 10,569	$ 10,569
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	136,200	13,794	149,994
Changes in Proportionate Share	59,239	130,700	189,939
Total Deferred Inflows of Resources	$ 195,439	$ 155,063	$ 350,502

$4,445 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2019	$ 4,921	$ 5,793	$ 10,714
2020	5,192	5,793	10,985
2021	(30,754)	5,793	(24,961)
2022	(34,050)	5,795	(28,255)
2023	0	9,242	9,242
Thereafter	0	17,005	17,005
	$ (54,691)	$ 49,421	$ (5,270)

Actuarial Assumptions - OPERS

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's Proportionate Share of the Net OPEB Liability	$ 2,429,049	$ 1,828,355	$ 1,342,400

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

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

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	$ 1,749,346	$ 1,828,355	$ 1,909,970

Actuarial Assumptions – OP&F

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

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

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

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

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

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

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

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

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

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

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

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

Note: Assumptions are geometric.
* Levered 2x

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

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

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

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's Proportionate Share of the Net OPEB Liability	$ 2,619,494	$ 2,095,597	$ 1,692,442

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

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

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

	1% Decrease	Current Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	$ 1,627,880	$ 2,095,597	$ 2,725,869

Changes between Measurement Date and Report Date

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

NOTE 13 -- CONTINGENT LIABILITIES

Federal and State Grants

The City participates in several federally assisted programs. These programs are subject to financial and compliance audits by grantor agencies or their representative. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Litigation

The City may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the law director the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Encumbrances

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. The City had no outstanding encumbrances for other governmental funds.

Contractual Commitments

The City had the following significant commitments at December 31, 2018:

Project	Contract Amount	Expended	Outstanding Commitment
WWTP Upgrades	$2,336,000	$1,124,996	$ 1,211,004

NOTE 14 -- FUND BALANCE

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

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

	General Fund	Parks and Recreation Fund	Capital Improvements Fund	Other Governmental Funds	Total
Nonspendable for:					
Inventory	$ 1,427	$ 19,874	$ 0	$ 56,069	$ 77,370
Restricted for:					
Capital Projects	0	0	210,547	0	210,547
Street Maintenance and Repair	0	0	0	118,241	118,241
Indigent Drivers Fund	0	0	0	303,461	303,461
Computer Legal Research	0	0	0	148,761	148,761
CDBG Revolving Loan	0	0	0	459,036	459,036
Special Projects	0	0	0	155,087	155,087
Other Purposes	0	0	0	201,796	201,796
Total Restricted	0	0	210,547	1,386,382	1,596,929
Committed to:					
Parks and Recreation	0	94,984	0	0	94,984
Assigned for:					
Subsequent Year Appropriations	644,690	0	0	0	644,690
Unassigned	532,099	0	0	0	532,099
Total Fund Balance	$ 1,178,216	$ 114,858	$ 210,547	$ 1,442,451	$ 2,946,072

NOTE 15 -- TRANSFERS

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

Fund	Transfers In	Transfers Out
General	$ 100,000	$ 22,459
Capital Improvement Fund	480,747	0
Other Governmental	9,425	100,000
Water	0	467,713
	$ 590,172	$ 590,172

In the year ended December 31, 2018, the City made transfers of $467,713 from the water fund to the capital improvements fund to subsidize, in part, the Ohio Water Development Authority (OWDA) debt service payments. In the past, OWDA loans were financed by City income tax. The general fund transferred $13,034 to the capital improvement fund to assist in debt payment and $9,425 to the transient guest tax fund to cover incurred expenses. In 2018 the Upper Sandusky Municipal Court judge signed a Journal Entry and Order to transfer funds in the amount of $100,000 from the special project fund to the general fund.

This page intentionally left blank.

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

	2018	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)					
City's Proportion of the Net Pension Liability	0.017586%	0.018397%	0.017668%	0.017205%	0.017205%
City's Proportionate Share of the Net Pension Liability	$ 2,758,880	$ 4,177,704	$ 3,060,320	$ 2,075,115	$ 2,028,245
City's Covered Payroll	$ 2,323,979	$ 2,378,225	$ 2,199,000	$ 2,109,300	$ 2,523,477
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.71%	175.66%	139.17%	98.38%	80.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%
Ohio Police and Fire Pension Fund (OPF)					
City's Proportion of the Net Pension Liability	0.036986%	0.040142%	0.038826%	0.039361%	0.039361%
City's Proportionate Share of the Net Pension Liability	$ 2,270,023	$ 2,542,554	$ 2,497,710	$ 2,039,059	$ 1,916,999
City's Covered Payroll	$ 863,512	$ 906,791	$ 825,885	$ 949,332	$ 827,098
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	262.88%	280.39%	302.43%	214.79%	231.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	72.20%	73.00%

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

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

City of Upper Sandusky
Wyandot County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - Pension
Last Ten Years

	2018	2017	2016	2015
Ohio Public Employees' Retirement System (OPERS)				
Contractually Required Contribution	$ 341,562	$ 302,117	$ 285,387	$ 263,880
Contributions in Relation to the Contractually Required Contribution	(341,562)	(302,117)	(285,387)	(263,880)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
City's Covered Payroll	$ 2,439,729	$ 2,323,979	$ 2,378,225	$ 2,199,000
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%
Ohio Police and Fire Pension Fund (OPF)				
Contractually Required Contribution	$ 175,767	$ 170,725	$ 178,965	$ 163,115
Contributions in Relation to the Contractually Required Contribution	(175,767)	(170,725)	(178,965)	(163,115)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
City's Covered Payroll	$ 888,914	$ 863,512	$ 906,791	$ 825,885
Contributions as a Percentage of Covered Payroll	19.77%	19.77%	19.74%	19.75%

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

See accompanying notes to the required supplementary information.

2014		2013		2012		2011		2010		2009
$	253,116	$	328,052		n/a		n/a		n/a		n/a
	(253,116)		(328,052)		n/a		n/a		n/a		n/a
$	0	$	0		n/a		n/a		n/a		n/a
$	2,109,300	$	2,523,477		n/a		n/a		n/a		n/a
	12.00%		13.00%		n/a		n/a		n/a		n/a
$	164,723	$	137,644	$	144,330	$	129,520	$	106,632	$	93,657
	(164,723)		(137,644)		(144,330)		(129,520)		(106,632)		(93,657)
$	0	$	0	$	0	$	0	$	0	$	0
$	949,332	$	827,098	$	1,078,453	$	943,821	$	790,367	$	694,323
	17.35%		16.64%		13.38%		13.72%		13.49%		13.49%

See accompanying notes to the required supplementary information.

This page intentionally left blank.

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

	2018	2017
Ohio Public Employees' Retirement System (OPERS)		
City's Proportion of the Net OPEB Liability	0.016837%	0.017613%
City's Proportionate Share of the Net OPEB Liability	$ 1,828,355	$ 1,778,973
City's Covered Payroll	$ 2,323,979	$ 2,378,225
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	78.67%	74.80%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%
Ohio Police and Fire Pension Fund (OPF)		
City's Proportion of the Net OPEB Liability	0.036986%	0.040142%
City's Proportionate Share of the Net OPEB Liability	$ 2,095,597	$ 1,905,450
City's Covered Payroll	$ 863,512	$ 906,791
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	242.68%	210.13%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

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

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

See accompanying notes to the required supplementary information.

City of Upper Sandusky
Wyandot County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Last Ten Years

	2018	2017	2016	2015
Ohio Public Employees' Retirement System (OPERS)				
Contractually Required Contribution	$ 0	$ 23,240	$ 47,564	n/a
Contributions in Relation to the Contractually Required Contribution	0	(23,240)	(47,564)	n/a
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	n/a
City's Covered Payroll (1)	$ 2,439,729	$ 2,323,979	$ 2,378,225	n/a
Contributions as a Percentage of Covered Payroll	0.00%	1.00%	2.00%	n/a
Ohio Police and Fire Pension Fund (OPF)				
Contractually Required Contribution	$ 4,445	$ 4,318	$ 4,534	$ 4,130
Contributions in Relation to the Contractually Required Contribution	(4,445)	(4,318)	(4,534)	(4,130)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
City's Covered Payroll	$ 888,914	$ 863,512	$ 906,791	$ 825,885
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

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

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
$ 64,121	$ 68,188	$ 72,796	$ 63,708	$ 53,070	$ 48,836
(64,121)	(68,188)	(72,796)	(63,708)	(53,070)	(48,836)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 949,332	$ 827,098	$ 1,078,453	$ 943,821	$ 790,367	$ 694,323
6.80%	8.24%	6.75%	6.75%	6.71%	7.03%

See accompanying notes to the required supplementary information.

Note 1 - Net Pension Liability

Changes in Assumptions – OPERS

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

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

Changes in Assumptions – OP&F

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

Note 2 - Net OPEB Liability

Changes in Assumptions - OPERS

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

Changes in Assumptions – OPF

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

Rea & associates a brighter way

June 24, 2019

To the Honorable Mayor and City Council
City of Upper Sandusky
Wyandot County, Ohio
119 North 7th Street
Upper Sandusky, OH 43351

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Upper Sandusky, Wyandot County, Ohio (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 24, 2019, in which we noted the City restated beginning net position balances to account for the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* and for a capital asset revaluation.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying *Schedule of Findings and Responses* as item 2018-002 that we consider to be a significant deficiency.

Compliance and Other Matters

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

The City's Response to Findings

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

Purpose of this Report

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

Rea & Associates, Inc.

Medina, Ohio

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

Finding Number: 2018-001

Material Non-Compliance - Fiscal Officer Certification

Criteria: Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

The following explains the main exceptions to the standard requirement stated above, which are: "then and now" certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. "Then and Now" certificate – If the fiscal officer can certify that both at the time that the contract or order was made ("then"), and at the time that the fiscal officer is completing the certification ("now"), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the "then and now" certificate to approve payment by ordinance or resolution.

2. Amounts of less than $3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the "then and now" certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

3. Blanket Certificate – Fiscal officers may prepare "blanket" certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

4. Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Condition: Several City purchases of goods and services lack supporting purchase orders. In addition, the obligation date preceded the purchase order date for 11 out of 21 purchases tested.

Cause: Under 5705.41(D)(2), the City had previously by resolution 63-12 established an exemption for all purchases of less than $1,000 from the requirements of 5705.41(D)(1). 5705.41(D)(2) only grants authority to a board of county commissioners to adopt such a resolution.

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

Finding Number: 2018-001 (Continued)

Material Non-Compliance - Fiscal Officer Certification

Effect: Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to ensure that purchase commitments receive prior approval.

Recommendation: We recommend the City implement training to ensure all employees with purchasing authorization authority are in accordance with Ohio revised code. In addition, with changes in procedure, these employees should be provided copies of the required forms with the established procedures outlined. All employees with purchasing responsibilities are to create a requisition prior to all purchases and submit the form to the City Auditor for creation of a purchase order prior to ordering of goods or services.

Management's Response: By ordinance, we have rescinded our exemption of purchases less than $1,000 from fiscal officer certification. We are in the process of reviewing our internal control process and take additional steps to educate and inform the appropriate individuals to ensure our procedures and Ohio Revised Code are followed.

Finding Number: 2018-002

Significant Deficiency – Internal Controls over Financial Reporting

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

Condition: There were audit adjustments made to the financial statements presented for audit.

Cause: There was one check for the loan origination fee for the City's OWDA planning loan for the waste water treatment plant construction that was not properly identified as accounts payable during management's review of subsequent disbursements. Also, the City improperly recorded the inception of capital lease for police cruisers in the capital improvement fund instead of the general fund.

Effect: Accounts payable and interest and fiscal charges were understated by $95,403 in expenses incurred in the sewer fund as of December 31, 2018. The City overstated inception of capital lease and security of persons and property in the capital improvement with corresponding understatements in the general fund by $73,464.

Recommendation: The City should record accounts payable as of 12/31 for all obligations incurred as of 12/31. Also, inception of capital lease and the corresponding expenditure should be recorded in the governmental fund from which lease payments will be made.

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

Finding Number: 2018-002 (Continued)

Significant Deficiency – Internal Controls over Financial Reporting

Management's Response: The City will take additional steps to study the date an expense is occurred to properly report expenditures as payables as of 12/31. Ongoing effort will be given to assure that capital assets are assigned to the proper fund from which they were paid.

This page intentionally left blank.

CITY OF UPPER SANDUSKY

MUNICIPAL OFFICES

119 North Seventh Street
Upper Sandusky, Ohio 43351
Telephone 419-294-3862 Fax 419-294-6767
www.uppersanduskyoh.com

Schedule of Prior Audit Findings
For the Year Ended December 31, 2018

Finding Number	Finding Summary	Fully Corrected?	Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain
2017-001	Ohio Revised Code Section 5705.41(D): Expenditures without certificate from fiscal officer	No	Repeated as Finding 2018-001. The City adopted an ordinance rescinding the exemption of purchases less than $1,000 from fiscal officer certification. The City is in the process of educating and informing appropriate individuals to ensure the City's procedures and Ohio Revised Code are followed.

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF UPPER SANDUSKY

WYANDOT 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
AUGUST 29, 2019