bhm cpa group, inc.
CERTIFIED PUBLIC ACCOUNTANTS

CITY OF WATERVILLE
LUCAS COUNTY

REGULAR AUDIT

For the Year Ended December 31, 2018
Fiscal Year Audited Under GAGAS: 2018

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OHIO AUDITOR OF STATE
KEITH FABER

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Columbus, Ohio 43215
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Members of Council
City of Waterville
25 North Second Street
Waterville, Ohio 43566

We have reviewed the *Independent Auditor's Report* of the City of Waterville, Lucas County, prepared by BHM CPA Group, 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 Waterville is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

July 10, 2019

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Lucas County

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Independent Auditor's Report

City of Waterville
Lucas County
25 North Second Street
Waterville, Ohio 43566

To the Members of Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
June 14, 2019

The discussion and analysis of the City of Waterville's financial performance provides an overview of the City's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole.

HIGHLIGHTS

Highlights for 2018 are as follows:

In total, the City's net position increased almost 3 percent from the prior year; governmental activities decreased less than 1 percent and business-type activities increased 8 percent.

The Water Fund had an operating income and the Sewer Fund had a modest operating loss; both funds had an increase in net position.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the City of Waterville's financial position.

The statement of net position and the statement of activities provide information about the activities of the City as a whole, presenting both an aggregate and a longer-term view of the City.

Fund financial statements provide a greater level of detail. For governmental funds, these statements tell how services were financed in the short-term and what remains for future spending. Fund financial statements report the City's most significant funds individually and the City's non-major funds in a single column. The City's major funds are the General, Various Improvements, Water, and Sewer funds.

REPORTING THE CITY AS A WHOLE

The statement of net position and the statement of activities reflect how the City did financially during 2018. These statements include all assets and liabilities using the accrual basis of accounting similar to that used by most private-sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when cash is received or paid.

These statements report the City's net position and change in net position. This change in net position is important because it tells the reader whether the financial position of the City as a whole has increased or decreased from the prior year. Over time, these increases and/or decreases are one indicator of whether the financial position is improving or deteriorating. Causes for these changes may be the result of many factors, some financial, some not. Non-financial factors can include changes in the City's property tax base and the condition of the City's capital assets (buildings; streets; water, sewer, storm sewer lines, etc.). These factors must be considered when assessing the overall health of the City.

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

- Governmental Activities - Most of the City's programs and services are reported here, including security of persons and property, leisure time activities, community environment, basic utility services, transportation, and general government. These services are primarily funded by property taxes and income taxes and from intergovernmental revenues, including federal and state grants and other shared revenues.

- Business-Type Activities - These services are provided on a charge for services basis and are intended to recover all or most of the costs of the services provided. The City's water and sewer services are reported here.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund financial statements provide detailed information about the City's major funds, the General, Various Improvements, Water, and Sewer funds. While the City uses many funds to account for its financial transactions, these are the most significant.

Governmental Funds - The City's governmental funds are used to account for essentially the same programs reported as governmental activities on the government-wide financial statements. Most of the City's basic services are reported in these funds and focus on how money flows into and out of the funds as well as the balances available for spending at year end. These funds are reported on the modified accrual basis of accounting which measures cash and all other financial assets that can be readily converted to cash. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services being provided.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities on the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balance provide a reconciliation to help make this comparison between governmental funds and governmental activities.

Enterprise Funds - The City's enterprise funds use the accrual basis of accounting, the same as that used for the business-type activities on the government-wide financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Table 1 provides a summary of the City's net position for 2018 and 2017.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and Other Assets	$6,015,609	$5,899,964	$2,157,461	$1,903,920	$8,173,070	$7,803,884
Net Pension Asset	20,429	0	10,337	0	30,766	0
Capital Assets, Net	15,139,640	15,450,374	14,683,476	14,035,554	29,823,116	29,485,928
Total Assets	21,175,678	21,350,338	16,851,274	15,939,474	38,026,952	37,289,812
Deferred Outflows of Resources						
Pension	595,705	920,869	84,515	188,819	680,220	1,109,688
OPEB	245,981	10,575	17,134	3,125	263,115	13,700
Total Deferred Outflows of Resources	841,686	931,444	101,649	191,944	943,335	1,123,388
Liabilities						
Current and Other Liabilities	327,908	566,059	1,610,226	1,253,454	1,938,134	1,819,513
Long-Term Liabilities						
Pension	2,927,471	3,372,396	315,759	478,520	3,243,230	3,850,916
OPEB	2,582,725	2,260,302	230,893	0	2,813,618	2,260,302
Other Amounts	2,068,712	2,333,540	4,965,160	5,183,961	7,033,872	7,517,501
Total Liabilities	7,906,816	8,532,297	7,122,038	6,915,935	15,028,854	15,448,232
Deferred Inflows of Resources						
Pension	296,209	11,222	88,617	2,847	384,826	14,069
OPEB	104,927	0	23,262	223,718	128,189	223,718
Other Amounts	459,409	401,743	0	0	459,409	401,743
Total Deferred Inflows of Resources	860,545	412,965	111,879	226,565	972,424	639,530
Net Position						
Net Investment in Capital Assets	13,106,036	12,879,951	9,726,027	9,271,900	22,832,063	22,151,851
Restricted	2,489,132	2,832,755	0	0	2,489,132	2,832,755
Unrestricted (Deficit)	(2,345,165)	(2,376,186)	(7,021)	(282,982)	(2,352,186)	(2,659,168)
Total Net Position	$13,250,003	$13,336,520	$9,719,006	$8,988,918	$22,969,009	$22,325,438

The net pension liability reported by the City at December 31, 2018, is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions". For 2018, the City adopted GASB Statement No. 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, end users of these financial statements 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.

GASB standards are national standards and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 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 or net OPEB liability. GASB Statements No. 68 and No. 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 Statements No. 68 and No. 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service 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 health care to eligible benefit recipients. The retirement systems may allocate a portion of the employer contribution 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 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. vacation and sick leave) are satisfied through paid time off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the City. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability 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 Statements No. 68 and No. 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 the net OPEB liability, respectively, not accounted for as deferred outflows/inflows.

As a result of implementing GASB Statement No. 75, the City is reporting a net OPEB liability and deferred outflows/inflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from $15,586,247 to $13,336,520 for governmental activities and from $9,209,511 to $8,988,918 for business-type activities.

Pension/OPEB changes noted in the above table reflect a net decrease in deferred outflows and net increase in deferred inflows. These changes are affected by changes in benefits, contribution rates, return on investments, and actuarial assumptions. The decrease in the net pension liability and increase in the net OPEB liability represent the City's proportionate share of the unfunded benefits.

Aside from the changes related to pension/OPEB, there were few other changes of note for governmental activities. The decrease in current and other liabilities is primarily a decrease in contracts payable (due to a project that had outstanding payables at the end of the prior year) and a reduction in notes payable (due to debt retirement). The decrease in other long-term liabilities represents the retirement of debt.

For business-type activities, there was an increase in current and other assets, primarily cash and cash equivalents, resulting from a $200,0000 advance of cash resources from governmental activities. These resources will be repaid in 2019. The increase in net capital assets generally represents a donation of assets from developers for water, sewer, and storm sewer lines (also note the increase in the investment in capital assets). The increase in current and other liabilities is due to contracts payable outstanding at year end related to Phase 2 of the Michigan water line project and the Dutch Road and Anthony Wayne water line projects. In addition, there was an increase in notes payable, also related to the Dutch Road water line project.

Table 2 reflects the change in net position for 2018 and 2017.

Table 2
Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program Revenues						
Charges for Services	$520,558	$599,743	$2,523,490	$2,501,534	$3,044,048	$3,101,277
Operating Grants, Contributions, and Interest	289,571	282,366	0	0	289,571	282,366
Capital Grants and Contributions	231,702	829,340	713,656	193,873	945,358	1,023,213
Total Program Revenues	1,041,831	1,711,449	3,237,146	2,695,407	4,278,977	4,406,856
General Revenues						
Property Taxes Levied for General Purposes	385,904	374,718	0	0	385,904	374,718
Property Taxes Levied for Police Pension	34,059	33,068	0	0	34,059	33,068
Municipal Income Taxes	3,519,994	3,311,997	0	0	3,519,994	3,311,997
Payment in Lieu of Taxes	102,600	99,843	0	0	102,600	99,843
Grants and Entitlements not Restricted to Specific Programs	308,382	293,689	0	0	308,382	293,689
Franchise Taxes	89,286	85,810	0	0	89,286	85,810
Interest	18,402	14,537	9,746	8,750	28,148	23,287
Other	331,428	155,298	18,172	15,047	349,600	170,345
Total General Revenues	4,790,055	4,368,960	27,918	23,797	4,817,973	4,392,757
Total Revenues	5,831,886	6,080,409	3,265,064	2,719,204	9,096,950	8,799,613
Program Expenses						
Security of Persons and Property						
Police	1,463,065	1,332,533	0	0	1,463,065	1,332,533
Fire	784,222	755,586	0	0	784,222	755,586
Other	179,257	108,825	0	0	179,257	108,825
Leisure Time Activities	147,196	189,108	0	0	147,196	189,108
Community Environment	145,907	96,887	0	0	145,907	96,887
Basic Utility Services	280,283	268,916	0	0	280,283	268,916
Transportation	1,463,583	1,409,506	0	0	1,463,583	1,409,506
General Government	1,381,141	1,323,433	0	0	1,381,141	1,323,433
Interest and Fiscal Charges	61,749	63,989	0	0	61,749	63,989
Water	0	0	1,571,477	1,462,771	1,571,477	1,462,771
Sewer	0	0	975,499	882,807	975,499	882,807
Total Expenses	5,906,403	5,548,783	2,546,976	2,345,578	8,453,379	7,894,361
Increase (Decrease) in Net Position Before Transfers	(74,517)	531,626	718,088	373,626	643,571	905,252
Transfers	(12,000)	(15,000)	12,000	15,000	0	0
Increase (Decrease) in Net Position	(86,517)	516,626	730,088	388,626	643,571	905,252
Net Position Beginning of Year	13,336,520	n/a	8,988,918	n/a	22,325,438	n/a
Net Position End of Year	$13,250,003	$13,336,520	$9,719,006	$8,988,918	$22,969,009	$22,325,438

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB Statement No. 75 is not available. Therefore, 2017 program expenses still include OPEB expense of $13,700 computed under GASB Statement No. 45. GASB Statement No. 45 required recognizing pension expense equal to contractually required contributions to the plan. Under GASB Statement No. 75, OPEB expense represents additional amounts earned adjusted by deferred outflows/inflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB Statement No. 75, the 2018 financial statements report OPEB expense of $213,428. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed.

	Governmental Activities	Business-Type Activities	Total
Total 2018 Program Expenses Under GASB Statement No. 75	$5,906,403	$2,546,976	$8,453,379
OPEB Expense Under GASB Statement No. 75	(196,857)	(16,571)	(213,428)
2018 Contractually Required Contribution	(4,913)	(143)	(5,056)
Adjusted 2018 Program Expenses	5,704,633	2,530,262	8,234,895
Total 2017 Program Expenses Under GASB Statement No. 45	(5,548,783)	(2,345,578)	(7,894,361)
Increase in Program Expenses Not Related to OPEB	$155,850	$184,684	$340,534

For governmental activities, the decrease in program revenues was primarily due to a substantial contribution in the prior year by a developer (Shoemaker Drive and Timber Wood Court) as well as resources from the Ohio Department of Transportation and the Ohio Public Works Commission related to the Anthony Wayne Trail project. Contributions in 2018 consisted of developer donations for Farnworth Village, Fiddler's Green, and Prey Boulevard. The most significant increases in general revenues were income taxes and other revenue from the sale of noncapitalized assets. The increase in expenses can be attributed to personnel costs (salaries and benefits) and pension/OPEB costs.

The City's business-type activities are generally almost entirely funded through charges for services; however, in 2017, the City received developer donated capital assets for water and sewer lines on Shoemaker Drive and Timber Wood Court and in 2018 for water, sewer, and storm sewer lines for Farnworth Village, Fiddler's Green, and Pray Boulevard. The increase in expenses can be attributed to personnel costs (salaries and benefits) and pension/OPEB costs.

Table 3, indicates the total cost of services and the net cost of services for governmental activities. The statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The net cost of services identifies the cost of those services supported by tax revenues and unrestricted intergovernmental revenues.

Table 3
Governmental Activities

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Security of Persons and Property				
Police	$1,463,065	$1,332,533	$1,442,789	$1,314,907
Fire	784,222	755,586	664,942	628,756
Other	179,257	108,825	179,257	108,825
Leisure Time Activities	147,196	189,108	134,114	185,924
Community Environment	145,907	96,887	144,890	94,011
Basic Utility	280,283	268,916	12,905	9,477
Transportation	1,463,583	1,409,506	921,951	274,616
General Government	1,381,141	1,323,433	1,301,975	1,156,829
Interest and Fiscal Charges	61,749	63,989	61,749	63,989
Total Expenses	$5,906,403	$5,548,783	$4,864,572	$3,837,334

General revenues provided for 82 percent of the costs of providing governmental services in 2018 (69 percent in 2017); the difference being the amount of developer donated assets in 2017 towards the transportation program. The City's most significant revenue source is municipal income taxes. Dependence on municipal income taxes and, to a lesser degree, property taxes is critical to the City's operations. There are few programs which are well supported through program revenues. The basic utility program charges for services include the fees for trash collection. The transportation program receives charges for services in the form of permissive motor vehicle license monies. The transportation program also receives operating grants in the form of State levied motor vehicle license fees and gas taxes.

GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

The City's major governmental funds are the General Fund and the Various Improvements capital projects fund.

The General Fund had a 14 percent increase in fund balance primarily due to providing less resources to other funds for operations (reduction in transfers out).

There was a sizable increase in fund balance in the Various Improvements Fund. There was an increase in revenues from resources received from the Ohio Department of Transportation and the Ohio Public Works Commission as well as from the sale of noncapitalized assets. In addition, there was a reduction in expenditures due to projects undertaken in 2017.

BUSINESS-TYPE ACTIVITIES FINANCIAL ANALYSIS

The City's enterprise funds are the Water and Sewer funds.

There was an increase in net position of over 8 percent in the Water Fund due to a combination of a modest operating income and contributions of capital assets from developers and other governments.

There was an 8 percent increase in net position for the Sewer Fund despite a small operating loss. This was also primarily due to a contribution of capital assets from developers.

BUDGETARY HIGHLIGHTS

The City prepares an annual budget of revenues and expenditures/expenses for all funds of the City for use by City officials and department heads and such other budgetary documents as are required by State statute, including the annual appropriations ordinance which is effective the first day of January.

The City's most significant budgeted fund is the General Fund. For revenues, changes from the original budget to the final budget as well as from the final budget to actual revenues were not significant. For expenditures changes from the original budget to the final budget were not significant. The savings from the final budget to actual expenditures were due to conservative budgeting.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - The City's net investment in capital assets for governmental and business-type activities as of December 31, 2018, was $13,106,036 and $9,726,027, respectively (net of accumulated depreciation and related debt). This net investment in capital assets includes land and land improvements, buildings, equipment, vehicles, and infrastructure (streets and water, sewer, and storm sewer lines). For governmental activities, the additions for 2018 primarily consisted of street improvements, an ambulance, and a police cruiser. Additions for business-type activities were largely water line and sewer line construction related as well as completed lines. Disposals for governmental activities included the vehicles that were replaced by the new additions mentioned above. Disposals were minimal for business-type activities. For further information regarding the City's capital assets, refer to Note 10 to the basic financial statements.

Debt - At December 31, 2018, the City had $1,508,000 in outstanding bond anticipation notes, $4,675,000 in general obligation bonds, $627,905 in Ohio Public Works Commission loans, $31,039 in Ohio Water Development Authority loans, and $1,373,465 in a long-term loan with Lucas County. Of this total outstanding debt, $6,184,495 will be paid from business-type activities.

In addition to the debt outlined above, the City's long-term obligations also include the net pension liability, OPEB liability, and compensated absences. For further information regarding the City's debt, refer to Notes 16 and 17 to the basic financial statements.

CURRENT ISSUES

The City has three labor unions, the Ohio Patrolmen's Benevolent Association, including one contract for police command officers and one contract for patrol officers, and the Teamsters Union representing the public works technicians. The current contracts were effective January 1, 2018, a three-year period.

Other current issues and events in the City include the following:

- Currently under construction along Pray Boulevard north of State Route 64 are a senior living community with one hundred sixty-two dwelling units and a thirty-one lot single family residential subdivision. A two hundred fifty-two unit apartment complex is also proposed on Pray Boulevard.

- At the Browning Masonic Community, Phase 2 of a "villa" residential development for senior living is currently under construction consisting of eight lots.

- During 2018, the City issued $1,508,000 in bond anticipation notes to retire notes previously issued for construction/improvement related projects. The notes had an interest rate of 2.75 percent and mature on July 24, 2019.

- An additional forty-six lots are being planned for the Waterville Meadows and Farnsworth Village residential subdivisions.

- An addition to the Waterville Primary School, Grades K -6 was recently completed.

- The new $13 million Waterville bridge over the Maumee River, replacing the current bridge built in 1948, is presently under construction with an expected completion date of 2019.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those interested in our City's financial well-being. Questions concerning any of the information provided in this report or requests for additional information should be directed to Jon Gochenour, Finance Director, City of Waterville, 25 North Second Street, Waterville, Ohio 43566, at jgoch@waterville.org, or at 419-878-8100.

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City of Waterville
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	$3,800,872	$1,970,544	$5,771,416
Accounts Receivable	91,606	264,974	356,580
Accrued Interest Receivable	5,650	2,440	8,090
Due from Other Governments	276,882	88,350	365,232
Municipal Income Taxes Receivable	1,102,456	0	1,102,456
Other Local Taxes Receivable	4,194	0	4,194
Prepaid Items	25,697	5,831	31,528
Materials and Supplies Inventory	35,566	25,322	60,888
Internal Balances	200,000	(200,000)	0
Property Taxes Receivable	462,922	0	462,922
Special Assessments Receivable	9,764	0	9,764
Net Pension Asset	20,429	10,337	30,766
Nondepreciable Capital Assets	1,939,933	538,143	2,478,076
Depreciable Capital Assets, Net	13,199,707	14,145,333	27,345,040
Total Assets	21,175,678	16,851,274	38,026,952
Deferred Outflows of Resources			
Pension	595,705	84,515	680,220
OPEB	245,981	17,134	263,115
Total Deferred Outflows of Resources	841,686	101,649	943,335
Liabilities			
Accrued Wages Payable	75,214	12,951	88,165
Accounts Payable	69,296	3,527	72,823
Contracts Payable	59,697	110,876	170,573
Due to Other Governments	33,437	172,313	205,750
Retainage Payable	7,881	35,543	43,424
Accrued Interest Payable	7,383	27,016	34,399
Notes Payable	75,000	1,248,000	1,323,000
Long-Term Liabilities			
Due Within One Year	386,304	317,037	703,341
Due in More Than One Year			
Net Pension Liability	2,927,471	315,759	3,243,230
Net OPEB Liability	2,582,725	230,893	2,813,618
Other Amounts Due in More Than One Year	1,682,408	4,648,123	6,330,531
Total Liabilities	7,906,816	7,122,038	15,028,854
Deferred Inflows of Resources			
Property Taxes	459,409	0	459,409
Pension	296,209	88,617	384,826
OPEB	104,927	23,262	128,189
Total Deferred Inflows of Resources	860,545	111,879	972,424
Net Position			
Net Investment in Capital Assets	13,106,036	9,726,027	22,832,063
Restricted for			
Capital Projects	2,039,716	0	2,039,716
Other Purposes	41,439	0	41,439
Street Construction, Maintenance, and Repair	407,977	0	407,977
Unrestricted (Deficit)	(2,345,165)	(7,021)	(2,352,186)
Total Net Position	$13,250,003	$9,719,006	$22,969,009

*After deferred outflows and deferred inflows related to the change in internal proportionate share of pension related items have been eliminated.

See Accompanying Notes to the Basic Financial Statements.

City of Waterville
Statement of Activities
For the Year Ended December 31, 2018

	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants, Contributions, and Interest	Program Revenues: Capital Grants and Contributions
Governmental Activities				
Security of Persons and Property				
Police	$1,463,065	$15,056	$5,220	$0
Fire	784,222	119,280	0	0
Other	179,257	0	0	0
Leisure Time Activities	147,196	13,082	0	0
Community Environment	145,907	1,017	0	0
Basic Utility Services	280,283	267,378	0	0
Transportation	1,463,583	25,579	284,351	231,702
General Government	1,381,141	79,166	0	0
Interest and Fiscal Charges	61,749	0	0	0
Total Governmental Activities	5,906,403	520,558	289,571	231,702
Business-Type Activities				
Water	1,571,477	1,700,462	0	200,440
Sewer	975,499	823,028	0	513,216
Total Business-Type Activities	2,546,976	2,523,490	0	713,656
Total	$8,453,379	$3,044,048	$289,571	$945,358

General Revenues
Property Taxes Levied for General Purposes
Property Taxes Levied Police Pension
Municipal Income Taxes
Payment in Lieu of Taxes
Grants and Entitlements not Restricted to Specific Programs
Franchise Taxes
Interest
Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year (Restated - Note 3)

Net Position End of Year

See Accompanying Notes to the Basic Financial Statements.

Net (Expense) Revenue and Change in Net Position		
Governmental Activities	Business-Type Activities	Total
($1,442,789)	$0	($1,442,789)
(664,942)	0	(664,942)
(179,257)	0	(179,257)
(134,114)	0	(134,114)
(144,890)	0	(144,890)
(12,905)	0	(12,905)
(921,951)	0	(921,951)
(1,301,975)	0	(1,301,975)
(61,749)	0	(61,749)
(4,864,572)	0	(4,864,572)
0	329,425	329,425
0	360,745	360,745
0	690,170	690,170
(4,864,572)	690,170	(4,174,402)
385,904	0	385,904
34,059	0	34,059
3,519,994	0	3,519,994
102,600	0	102,600
308,382	0	308,382
89,286	0	89,286
18,402	9,746	28,148
331,428	18,172	349,600
4,790,055	27,918	4,817,973
(12,000)	12,000	0
4,778,055	39,918	4,817,973
(86,517)	730,088	643,571
13,336,520	8,988,918	22,325,438
$13,250,003	$9,719,006	$22,969,009

City of Waterville
Balance Sheet
Governmental Funds
December 31, 2018

	General	Various Improvements	Other Governmental	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$1,672,768	$1,632,104	$496,000	$3,800,872
Accounts Receivable	71,682	0	19,924	91,606
Accrued Interest Receivable	2,296	2,995	359	5,650
Due from Other Governments	147,878	0	129,004	276,882
Municipal Income Taxes Receivable	826,842	275,614	0	1,102,456
Other Local Taxes Receivable	0	0	4,194	4,194
Prepaid Items	20,599	0	5,098	25,697
Materials and Supplies Inventory	7,281	0	28,285	35,566
Interfund Receivable	0	200,000	0	200,000
Property Taxes Receivable	425,882	0	37,040	462,922
Special Assessments Receivable	0	9,764	0	9,764
Total Assets	$3,175,228	$2,120,477	$719,904	$6,015,609
Liabilities				
Accrued Wages Payable	$69,046	$0	$6,168	$75,214
Accounts Payable	55,065	12,739	1,492	69,296
Contracts Payable	0	59,697	0	59,697
Due to Other Governments	31,448	0	1,989	33,437
Retainage Payable	0	7,881	0	7,881
Accrued Interest Payable	0	904	0	904
Notes Payable	0	75,000	0	75,000
Total Liabilities	155,559	156,221	9,649	321,429
Deferred Inflows of Resources				
Property Taxes	422,654	0	36,755	459,409
Unavailable Revenue	814,649	225,455	129,816	1,169,920
Total Deferred Inflows of Resources	1,237,303	225,455	166,571	1,629,329
Fund Balance				
Nonspendable	27,880	0	33,383	61,263
Restricted	0	1,738,801	332,170	2,070,971
Committed	31,564	0	178,131	209,695
Assigned	359,139	0	0	359,139
Unassigned	1,363,783	0	0	1,363,783
Total Fund Balance	1,782,366	1,738,801	543,684	4,064,851
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	$3,175,228	$2,120,477	$719,904	$6,015,609

See Accompanying Notes to the Basic Financial Statements.

City of Waterville
Reconciliation of Total Governmental Fund Balance
to Net Position of Governmental Activities
December 31, 2018

Total Governmental Fund Balance		$4,064,851
Amounts reported for governmental activities on the statement of net position are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		15,139,640
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds.		
Accounts Receivable	63,289	
Accrued Interest Receivable	4,411	
Due from Other Governments	236,673	
Municipal Income Taxes Receivable	851,356	
Delinquent Property Taxes Receivable	3,513	
Special Assessments Receivable	10,678	
		1,169,920
Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued Interest Payable	(6,479)	
Bond Anticipation Notes Payable	(185,000)	
General Obligations Bonds Payable	(1,650,000)	
OPWC Loans Payable	(120,914)	
Compensated Absences Payable	(112,798)	
		(2,075,191)
The net pension asset, net pension liability, and net OPEB liability are not due and payable in the current period; therefore, the asset, liability, and related deferred outflows/inflows are not reported in the governmental funds.		
Net Pension Asset	20,429	
Deferred Outflows - Pension	595,705	
Deferred Inflows - Pension	(296,209)	
Net Pension Liability	(2,927,471)	
Deferred Outflows - OPEB	245,981	
Deferred Inflows - OPEB	(104,927)	
Net OPEB Liability	(2,582,725)	
		(5,049,217)
Net Position of Governmental Activities		$13,250,003

See Accompanying Notes to the Basic Financial Statements.

City of Waterville
Statement of Revenues, Expenditures,
and Change in Fund Balance
Governmental Funds
For the Year Ended December 31, 2018

	General	Various Improvements	Other Governmental	Total Governmental Funds
Revenues				
Property Taxes	$386,507	$0	$34,112	$420,619
Municipal Income Taxes	2,597,311	865,770	0	3,463,081
Other Local Taxes	0	0	25,579	25,579
Payment in Lieu of Taxes	0	0	102,600	102,600
Special Assessments	0	6,650	0	6,650
Charges for Services	444,713	0	0	444,713
Fees, Licenses, and Permits	33,584	0	105,235	138,819
Fines and Forfeitures	11,948	0	1,702	13,650
Intergovernmental	304,586	729,377	289,847	1,323,810
Interest	10,260	8,520	2,114	20,894
Other	128,097	188,988	2,734	319,819
Total Revenues	3,917,006	1,799,305	563,923	6,280,234
Expenditures				
Current:				
Security of Persons and Property				
Police	1,191,220	42,009	38,471	1,271,700
Fire	647,221	211,454	0	858,675
Other	106,851	72,406	0	179,257
Leisure Time Activities	21,980	0	69,283	91,263
Community Environment	97,846	48,061	0	145,907
Basic Utility Services	280,283	0	0	280,283
Transportation	0	419,786	408,301	828,087
General Government	1,074,521	157,802	102,600	1,334,923
Debt Service:				
Principal Retirement	0	165,210	0	165,210
Current Refunding	0	75,000	0	75,000
Interest and Fiscal Charges	0	62,026	0	62,026
Total Expenditures	3,419,922	1,253,754	618,655	5,292,331
Excess of Revenues Over (Under) Expenditures	497,084	545,551	(54,732)	987,903
Other Financing Sources (Uses)				
Sale of Capital Assets	0	11,609	0	11,609
Bond Anticipation Notes Issued	0	185,000	0	185,000
Current Refunding	0	(185,000)	0	(185,000)
Transfers In	0	150,000	110,000	260,000
Transfers Out	(272,000)	0	0	(272,000)
Total Other Financing Sources (Uses)	(272,000)	161,609	110,000	(391)
Change in Fund Balance	225,084	707,160	55,268	987,512
Fund Balance Beginning of Year	1,557,282	1,031,641	488,416	3,077,339
Fund Balance End of Year	$1,782,366	$1,738,801	$543,684	$4,064,851

See Accompanying Notes to the Basic Financial Statements.

City of Waterville
Reconciliation of Statement of Revenues, Expenditures, and Change in Fund Balance of Governmental Funds to Statement of Activities
For the Year Ended December 31, 2018

Change in Fund Balance - Total Governmental Funds		$987,512
Amounts reported for governmental activities on the statement of activities are different because of the following:		
Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current year.		
Capital Contributions	231,702	
Capital Outlay- Depreciable Capital Assets	418,870	
Depreciation	(957,880)	
		(307,308)
The proceeds from the sale of capital assets are reported as other financing sources in the governmental funds. However, the book value of the capital assets is removed from the capital asset account on the statement of net position and is offset against the proceeds from the sale of capital assets resulting in a gain or loss on disposal of capital assets on the statement of activities.		
Proceeds from the Sale of Capital Assets	(11,609)	
Gain on Disposal of Capital Assets	11,609	
Loss on Disposal of Capital Assets	(3,426)	
		(3,426)
Revenues on the statement of activities that do not provide current financial resources are not reported as revenues in governmental funds.		
Delinquent Property Taxes	(656)	
Municipal Income Taxes	56,913	
Special Assessments	(5,633)	
Charges for Services	(12,417)	
Fees, Licenses, and Permits	(1,517)	
Intergovernmental	(727,853)	
Interest	(496)	
		(691,659)
Repayment of principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities on the statement of net position.		
Bond Anticipation Notes Payable	260,000	
General Obligation Bonds Payable	145,000	
OPWC Loans Payable	20,210	
		425,210
Bond anticipation note proceeds are other fiancing sources in governmental funds but the issuance increases long-term liabilities on the statement of net position.		(185,000)
Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position.		277
Compensated absences reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		24,618
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability and net OPEB liability are reported as pension/OPEB expense on the statement of activities.		
Pension	(419,302)	
OPEB	(196,857)	
		(616,159)
Contractually required contributions are reported as expenditures in the governmental funds, however, the statement of net position reports these amounts as deferred outflows.		
Pension	274,505	
OPEB	4,913	
		279,418
Change in Net Position of Governmental Activities		($86,517)

See Accompanying Notes to the Basic Financial Statements.

City of Waterville
Statement of Revenues, Expenditures,
and Change in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
Revenues				
Property Taxes	$426,698	$391,511	$386,507	($5,004)
Municipal Income Taxes	2,552,051	2,655,956	2,653,054	(2,902)
Charges for Services	498,748	508,581	443,122	(65,459)
Fees, Licenses, and Permits	44,152	45,950	33,584	(12,366)
Fines and Forfeitures	10,248	10,665	11,385	720
Intergovernmental	294,435	306,532	303,995	(2,537)
Interest	14,894	15,500	14,382	(1,118)
Other	121,843	52,116	128,097	75,981
Total Revenues	3,963,069	3,986,811	3,974,126	(12,685)
Expenditures				
Current:				
Security of Persons and Property				
Police	1,235,399	1,270,253	1,192,071	78,182
Fire	840,584	893,086	644,589	248,497
Other	113,050	117,560	106,312	11,248
Leisure Time Activities	21,600	22,000	21,980	20
Community Environment	91,400	119,371	98,905	20,466
Basic Utility Services	281,095	302,095	277,544	24,551
General Government	1,160,701	1,230,840	1,078,290	152,550
Total Expenditures	3,743,829	3,955,205	3,419,691	535,514
Excess of Revenues Over Expenditures	219,240	31,606	554,435	522,829
Other Financing Uses				
Transfers Out	(272,000)	(272,000)	(272,000)	0
Change in Fund Balance	(52,760)	(240,394)	282,435	522,829
Fund Balance Beginning of Year	1,398,161	1,398,161	1,398,161	0
Fund Balance End of Year	$1,345,401	$1,157,767	$1,680,596	$522,829

See Accompanying Notes to the Basic Financial Statements.

City of Waterville
Statement of Fund Net Position
Enterprise Funds
December 31, 2018

	Water	Sewer	Total Enterprise Funds
Assets			
Current Assets			
Equity in Pooled Cash and Cash Equivalents	$978,283	$992,261	$1,970,544
Accounts Receivable	176,383	88,591	264,974
Accrued Interest Receivable	1,292	1,148	2,440
Due from Other Governments	88,350	0	88,350
Prepaid Items	2,486	3,345	5,831
Materials and Supplies Inventory	22,488	2,834	25,322
Total Current Assets	1,269,282	1,088,179	2,357,461
Non-Current Assets			
Net Pension Asset	5,057	5,280	10,337
Nondepreciable Capital Assets	518,700	19,443	538,143
Depreciable Capital Assets, Net	7,814,568	6,330,765	14,145,333
Total Non-Current Assets	8,338,325	6,355,488	14,693,813
Total Assets	9,607,607	7,443,667	17,051,274
Deferred Outflows of Resources			
Pension	41,024	43,593	84,617
OPEB	8,381	8,753	17,134
Total Deferred Outflows of Resources	49,405	52,346	101,751
Liabilities			
Current Liabilities			
Accrued Wages Payable	6,261	6,690	12,951
Accounts Payable	1,418	2,109	3,527
Contracts Payable	110,876	0	110,876
Due to Other Governments	111,608	60,705	172,313
Interfund Payable	200,000	0	200,000
Retainage Payable	35,543	0	35,543
Accrued Interest Payable	25,613	1,403	27,016
Notes Payable	1,197,000	51,000	1,248,000
General Obligation Bonds Payable	100,000	20,000	120,000
OPWC Loans Payable	19,792	20,299	40,091
OWDA Loans Payable	0	2,216	2,216
Due to Lucas County	6,742	133,331	140,073
Compensated Absences Payable	8,022	6,635	14,657
Total Current Liabilities	1,822,875	304,388	2,127,263
Non-Current Liabilities			
General Obligation Bonds Payable	2,610,000	295,000	2,905,000
OPWC Loans Payable	317,109	149,791	466,900
OWDA Loans Payable	0	28,823	28,823
Due to Lucas County	109,135	1,124,257	1,233,392
Compensated Absences Payable	9,152	4,856	14,008
Net Pension Liability	154,449	161,310	315,759
Net OPEB Liability	112,938	117,955	230,893
Total Non-Current Liabilities	3,312,783	1,881,992	5,194,775
Total Liabilities	5,135,658	2,186,380	7,322,038

City of Waterville
Statement of Fund Net Position
Enterprise Funds
December 31, 2018
(continued)

	Water	Sewer	Total Enterprise Funds
Deferred Inflows of Resources			
Pension	$46,067	$42,652	$88,719
OPEB	13,203	10,059	23,262
Total Deferred Inflows of Resources	59,270	52,711	111,981
Net Position			
Net Investment in Capital Assets	3,942,948	5,783,079	9,726,027
Unrestricted (Deficit)	519,136	(526,157)	(7,021)
Total Net Position	$4,462,084	$5,256,922	$9,719,006

See Accompanying Notes to the Basic Financial Statements.

City of Waterville
Statement of Revenues, Expenses, and Change in Fund Net Position
Enterprise Funds
For the Year Ended December 31, 2018

	Water	Sewer	Total Enterprise Funds
Operating Revenues			
Charges for Services	$1,700,462	$823,028	$2,523,490
Other	16,497	1,675	18,172
Total Operating Revenues	1,716,959	824,703	2,541,662
Operating Expenses			
Personal Services	226,699	252,136	478,835
Contractual Services	798,792	321,212	1,120,004
Materials and Supplies	131,280	94,685	225,965
Depreciation	292,159	242,649	534,808
Other	901	744	1,645
Total Operating Expenses	1,449,831	911,426	2,361,257
Operating Income (Loss)	267,128	(86,723)	180,405
Non-Operating Revenues (Expenses)			
Loss on Disposal of Capital Assets	0	(536)	(536)
Interest Revenue	4,368	5,378	9,746
Interest Expense	(121,646)	(63,537)	(185,183)
Total Non-Operating Revenues (Expenses)	(117,278)	(58,695)	(175,973)
Income (Loss) before Contributions and Transfers	149,850	(145,418)	4,432
Capital Contributions	200,440	513,216	713,656
Transfers In	0	12,000	12,000
Change in Net Position	350,290	379,798	730,088
Net Position Beginning of Year (Restated - Note 3)	4,111,794	4,877,124	8,988,918
Net Position End of Year	$4,462,084	$5,256,922	$9,719,006

See Accompanying Notes to the Basic Financial Statements.

City of Waterville
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2018

	Water	Sewer	Total Enterprise Funds
Increases (Decreases) in Cash and Cash Equivalents			
Cash Flows from Operating Activities			
Cash Received from Customers	$1,708,324	$826,183	$2,534,507
Cash Received from Other Revenues	16,497	1,675	18,172
Cash Payments for Personal Services	(211,605)	(231,033)	(442,638)
Cash Payments for Contractual Services	(778,909)	(300,471)	(1,079,380)
Cash Payments to Vendors	(136,330)	(94,025)	(230,355)
Cash Payments for Other Expenses	(901)	(744)	(1,645)
Net Cash Provided by Operating Activities	597,076	201,585	798,661
Cash Flows from Noncapital Financing Activities			
Cash Received from Transfers In	0	12,000	12,000
Cash Received from Advances In	200,000	0	200,000
Net Cash Provided by Noncapital Financing Activities	200,000	12,000	212,000
Cash Flows from Capital and Related Financing Activities			
Principal Paid on Bond Anticipation Notes	(1,017,700)	(67,000)	(1,084,700)
Principal Paid on General Obligation Bonds	(100,000)	(20,000)	(120,000)
Principal Paid on OPWC Loans	(19,792)	(23,446)	(43,238)
Principal Paid on OWDA Loans	0	(2,156)	(2,156)
Principal Paid to Lucas County	(13,485)	(95,072)	(108,557)
Interest Paid on Bond Anticipation Notes	(20,354)	(1,340)	(21,694)
Interest Paid on General Obligation Bonds	(92,231)	(10,050)	(102,281)
Interest Paid on OPWC Loans	0	(630)	(630)
Interest Paid on OWDA Loans	0	(898)	(898)
Interest Paid to Lucas County	0	(50,638)	(50,638)
Bond Anticipation Notes Issued	1,197,000	51,000	1,248,000
Capital Grants	(35,340)	0	(35,340)
Acquisition of Capital Assets	(323,191)	0	(323,191)
Net Cash Used for Capital and Related Financing Activities	(425,093)	(220,230)	(645,323)
Cash Flows from Investing Activities			
Interest	4,257	5,619	9,876
Net Increase (Decrease) in Cash and Cash Equivalents	376,240	(1,026)	375,214
Cash and Cash Equivalents Beginning of Year	602,043	993,287	1,595,330
Cash and Cash Equivalents End of Year	$978,283	$992,261	$1,970,544

City of Waterville
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2018
(continued)

	Water	Sewer	Total Enterprise Funds
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating Income (Loss)	$267,128	($86,723)	$180,405
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities			
Depreciation	292,159	242,649	534,808
Changes in Assets and Liabilities:			
Decrease in Accounts Receivable	7,862	3,155	11,017
Increase in Prepaid Items	(162)	(149)	(311)
(Increase) Decrease in Materials and Supplies Inventory	(1,295)	482	(813)
Increase in Net Pension Asset	(2,993)	(3,023)	(6,016)
Increase in Deferred Outflows - Pension	(1,929)	(2,020)	(3,949)
Decrease in Deferred Inflows - Pension	(516)	(545)	(1,061)
Increase in Accrued Wages Payable	994	1,045	2,039
Increase in Accounts Payable	313	36	349
Increase in Due to Other Governments	18,777	20,386	39,163
Decrease in Retainage Payable	(3,540)	0	(3,540)
Increase in Compensated Absences Payable	1,348	792	2,140
Increase in Net Pension Liability	3,361	3,509	6,870
Decrease in Deferred Outflows - Pension	29,802	31,991	61,793
Decrease in Deferred Inflows - Pension	(21,434)	(19,227)	(40,661)
Increase in Net OPEB Liability	6,123	6,397	12,520
Decrease in Deferred Outflows - OPEB	5,471	5,635	11,106
Decrease in Deferred Inflows - OPEB	(4,393)	(2,805)	(7,198)
Net Cash Provided by Operating Activities	$597,076	$201,585	$798,661

Non-Cash Capital Transactions

At December 31, 2018, the Water and Sewer enterprise funds received a contribution of capital assets from developers, in the amount of $165,100 and $513,216, respectively.

At December 31, 2018, the Water enterprise fund had outstanding payables related to the acquisition of capital assets, in the amount of $146,419.

See Accompanying Notes to the Basic Financial Statements.

NOTE 1 - DESCRIPTION OF THE CITY OF WATERVILLE AND THE REPORTING ENTITY

A. The City

The City of Waterville (City) is a charter municipal corporation with the charter adopted by the electors on May 3, 1966. Waterville became a village in 1831 and was incorporated as a city on April 29, 2011. The City may exercise all powers of home rule granted under Article XVIII, Section 3, of the Ohio Constitution not in conflict with applicable general laws in Ohio.

The City operates under a council-administrator form of government. Legislative power is vested in a six member council and a Mayor, each elected to a four-year term. The Council is responsible for appointing a full-time Municipal Administrator.

The City of Waterville is divided into various departments and financial management and control systems. Services provided include police protection, a volunteer fire department, parks and recreation, street maintenance and repair, and water, sewer, and storm sewer services as well as a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the Municipal Administrator through administrative and managerial requirements and procedures.

B. Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the City of Waterville 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; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the City. There were no component units of the City of Waterville in 2018.

The City participates in an insurance pool, the Ohio Plan Risk Management, which is presented in Note 20 to the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

A. Basis of Presentation

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

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

Fund Financial Statements

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

B. Fund Accounting

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and 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 accounts for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Various Improvements - The Various Improvements capital projects fund accounts for income tax receipts, note proceeds, and grant monies used for construction projects or to acquire capital assets.

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, change in net position, financial position, and cash flows.

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

Water Fund - The Water Fund accounts for the provision of water treatment and distribution to residential and commercial users within the City.

Sewer Fund - The Sewer Fund accounts for the provision of sanitary and storm sewer service to residential and commercial users within the City.

C. Measurement Focus

Government-Wide Financial Statements

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements

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

Like the government-wide financial statements, the enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses, and change in fund net position presents increases (e.g., revenues) and decreases (e.g., expenses) in total net position. The statement of cash flows reflects how the City finances and meets the cash flow needs of its enterprise 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; enterprise funds 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 outflows and deferred inflows of resources, and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions

Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means 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 after year end.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report 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 that time. For the City, deferred outflows of resources are reported on the government-wide and enterprise funds statement of net positon for pension and OPEB and explained in Notes 13 and 14 to the basic financial statements.

In addition to liabilities, the statement of financial position may report 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 until that time. For the City, deferred inflows of resources consists of property taxes, unavailable revenue, pension, and OPEB. Property taxes represent amounts for which there was an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. This amount has been recorded as deferred inflows of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental fund balance sheet and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes accrued interest, intergovernmental revenue including grants, municipal income taxes, delinquent property taxes, special assessments, and other sources. These amounts are deferred and recognized as inflows of resources in the period when the amounts become available. For further details on unavailable revenue, refer to the Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities on page 18. Deferred inflows of resources related to pension and OPEB are reported on the government-wide and enterprise funds statement of net position and explained in Notes 13 and 14 to the basic financial statements.

Expenses/Expenditures

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

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

E. Budgetary Process

All funds are required to be budgeted and appropriated. The major documents prepared are the certificate of estimated resources and the appropriations ordinance, both of which are prepared on the budgetary basis of accounting. The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, and object level for all funds.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

F. Cash and Investments

To improve cash management, cash received by the City is pooled and invested. Individual fund integrity is maintained through City records. Interest in the pool is presented as “Equity in Pooled Cash and Cash Equivalents”.

During 2018, the City’s investments included negotiable certificates of deposit and STAR Ohio. Investments are reported at fair value, which is based on quoted market price. STAR Ohio is an investment pool, managed by the State Treasurer’s Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company but has adopted Governmental Accounting Standards Board (GASB) statement No. 79, “Certain External Investment Pools and Pool Participants”. The City measures the investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The net asset value per share is calculated on an amortized cost basis that provides a net asset value per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million requiring the excess amount to be transacted the following business day(s) but only to the $100 million limit. All accounts of the participant will be combined for this purpose.

Interest earnings are allocated to City funds according to State statutes or grant requirements. Interest revenue credited to the General Fund during 2018 was $10,260, which includes $3,536 assigned from other City funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time of purchase are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months that were not purchased from the pool are reported as investments.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

H. Inventory

Inventory is presented at cost on a first-in, first-out basis and is expended/expensed when used. Inventory consists of expendable supplies held for consumption.

I. Capital Assets

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

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their acquisition value on the date donated. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated, except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. The City reports all infrastructure, including that acquired prior to 1980.

Depreciation is computed using the straight-line method over the following useful lives:

Description	Estimated Lives
Land Improvements	20-40 years
Buildings and Improvements	35-100 years
Furniture, Fixtures, and Equipment	5-50 years
Vehicles	5-30 years
Streets	15-40 years
Water, Sewer, and Storm Sewer Lines	50 years

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Interfund Activity

On fund financial statements, receivables and payables resulting from interfund loans are reported as "Interfund Receivables/Payables". Interfund balances are eliminated on the statement of net position, except for any net residual amounts due between governmental and business-type activities. These amounts are presented as "Internal Balances".

Deferred inflows of resources and deferred outflows of resources from the change in proportionate share related to pension items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column on the government-wide statement of net position.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in City policies. The City records a liability for accumulated unused sick leave for all employees with ten or more years of service.

L. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Long-term notes, general obligation bonds, and long-term loans are recognized as liabilities on the fund financial statements when due. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

M. Net Position

Net position represents the difference between all other elements on the statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes includes activities for maintenance and repair of State highways and various police department grants and programs. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Fund Balance

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

Nonspendable - The nonspendable classification 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" includes items that are not expected to be converted to cash.

Restricted - The restricted classification includes amounts restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt convents), grantors, contributors, or law or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinance).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for purposes specified by the legislation.

Committed - The committed classification includes amounts that can be used only for the specific purposes determined by a formal action (ordinance) of City Council. The committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assigned - Amounts in the assigned 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. Assigned amounts represent intended uses established by City Council. The City Council has authorized the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council has also assigned amounts to cover a gap between estimated resources and appropriations in the 2019 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.

The City first applies restricted resources when an expenditure is 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 can be used.

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise funds. For the City, these revenues are charges for services for water, sewer, and storm sewer services. Operating expenses are the necessary costs incurred to provide the service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

P. Capital Contributions

Capital contributions arise from contributions from outside sources.

Q. Interfund Transactions

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

Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Payments for interfund services provided and used are not eliminated.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

R. Pension/Postemployment

For purposes of measuring the net pension/OPEB liability (asset), deferred outflows of resources and deferred inflows of resources related to pension/OPEB, 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 systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

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.

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year 2018, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", Statement No. 85, "Omnibus 2017", Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period", and related guidance from GASB Implementation Guide No. 2017-3, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).

For fiscal year 2018, the City also implemented GASB Implementation Guide No. 2017-1. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures. The implementation of this statement had the following effect on net position as previously reported.

	Governmental Activities	Water	Sewer	Total Enterprise Funds/Business-Type Activities
Net Position December 31, 2017	$15,586,247	$4,222,353	$4,987,158	$9,209,511
Net OPEB Liability	(2,260,302)	(112,126)	(111,592)	(223,718)
Deferred Outflows - Payments Subsequent to the Measurement Date	10,575	1,567	1,558	3,125
Restated Net Position December 31, 2017	$13,336,520	$4,111,794	$4,877,124	$8,988,918

NOTE 3 - CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION (continued)

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

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

GASB Statement No. 89 establishes accounting requirements for interest costs incurred before the end of a construction period. These changes were incorporated in the City's 2018 financial statements; however, there was no effect of beginning net position/fund balance.

NOTE 4 - COMPLIANCE

The following accounts had expenditures in excess of appropriations for the year ended December 31, 2018.

Fund/Department/Object	Appropriations	Expenditures	Excess
Governmental Activities			
General Fund			
General Government			
Personal Services	$0	$36,133	$36,133

The Finance Director will monitor expenditures to ensure they are within amounts appropriated.

The Police Pension special revenue fund had final appropriations in excess of estimated resources, in the amount of $1,976. The Finance Director will review appropriations to ensure they are within available resources.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Change in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING (continued)

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. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than restricted, committed, or assigned fund balance (GAAP basis).

Adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis are as follows:

Change in Fund Balance

GAAP Basis	$225,084
Increases (Decreases) Due To	
Revenue Accruals:	
Accrued 2017, Received in Cash 2018	290,278
Accrued 2018, Not Yet Received in Cash	(237,277)
Expenditure Accruals:	
Accrued 2017, Paid in Cash 2018	(157,574)
Accrued 2018, Not Yet Paid in Cash	155,559
Cash Adjustments:	
Unrecorded Activity 2017	(3,709)
Unrecorded Activity 2018	7,828
Prepaid Items	(1,915)
Materials and Supplies Inventory	4,161
Budget Basis	$282,435

NOTE 6 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits determined to be necessary to meet current demands on the treasury. Active deposits 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.

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

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

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

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

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

1. United States Treasury 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, and Government National Mortgage 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 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 the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio (if training requirements have been met);

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

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

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

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

8. Certain bankers' acceptances for a period not to exceed one hundred eighty days and commercial paper notes for a period not to exceed two hundred seventy days in an amount not to exceed 40 percent of the interim monies available for investment at any one time (if training requirements have been met).

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. Except as noted above, an investment must mature within five years from the date of settlement, unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Finance Director or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

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 the possession of an outside party. At December 31, 2018, $517,234 of the City's total bank balance of $4,215,733 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. The City's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be 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 by participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of December 31, 2018, the City had the following investments:

Measurement/Investment	Measurement Amount	Maturity
Fair Value - Level Two Inputs		
Negotiable Certificate of Deposit	$99,958	1/31/19
Negotiable Certificate of Deposit	149,871	9/30/19
Negotiable Certificate of Deposit	216,275	4/11/22
Negotiable Certificate of Deposit	99,645	8/5/19

(continued)

NOTE 6 - DEPOSITS AND INVESTMENTS (continued)

Measurement/Investment	Measurement Amount	Maturity
Negotiable Certificate of Deposit	$99,586	9/11/19
Negotiable Certificate of Deposit	119,022	2/4/20
Negotiable Certificate of Deposit	98,277	8/5/20
Negotiable Certificate of Deposit	98,387	8/31/20
Negotiable Certificate of Deposit	98,283	12/21/20
Negotiable Certificate of Deposit	199,936	2/8/21
Negotiable Certificate of Deposit	121,988	12/20/21
Negotiable Certificate of Deposit	98,438	3/22/22
Negotiable Certificate of Deposit	95,461	12/19/22
Net Value per Share		
Star Ohio	6,680	45 days
Total Investments	$1,601,807	

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

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment policy restricts the Finance Director from investing in any securities other than those identified in the Ohio Revised Code and that all investments must mature within five years from the date of investment unless they are matched to a specific obligation or debt of the City.

The negotiable certificates of deposit are insured by the FDIC and/or SIPC. STAR Ohio carries a rating of AAA by Standard and Poor's. The City has no investment policy dealing with credit risk beyond the requirements of State statute. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

The City places no limit on the amount of its interim monies it may invest in a particular security. The following table indicates the percentage of investments to the City's total portfolio:

	Fair Value	Percentage of Portfolio
Negotiable Certificates of Deposit	$1,595,127	99.6%

NOTE 7 - RECEIVABLES

Receivables at December 31, 2018, consisted of accounts (billings for user charged services, including unbilled utility services); accrued interest; intergovernmental receivables arising from grants, entitlements, and shared revenues; municipal income taxes; other local taxes; interfund; property taxes; and special assessments. All receivables are expected to be collected within one year, except as noted. Municipal income taxes and property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year. Special assessments receivable, in the amount of $4,526, will not be received within one year. At December 31, 2018, the amount of delinquent special assessments was $773.

A summary of the principal items of intergovernmental receivables follows:

	Amount
Governmental Activities	
Major Funds	
General Fund	
Homestead and Rollback	$31,024
Liquor Permits	460
Local Government	115,506
City of Maumee	888
Total Major Funds	147,878
Nonmajor Funds	
Street Maintenance	
Gasoline Tax	90,038
Motor Vehicle License Tax	20,386
Total Street Maintenance	110,424
State Highway	
Gasoline Tax	7,301
Motor Vehicle License Tax	1,653
Total State Highway	8,954
Permissive Tax	
Permissive Tax	6,808
Police Pension	
Homestead and Rollback	2,738
Enforcement and Education	
City of Maumee	80
Total Nonmajor Funds	129,004
Total Governmental Activities	$276,882

NOTE 7 - RECEIVABLES (continued)

	Amount
Business-Type Activities	
Water	
Ohio Public Works Grant	$35,340
Ohio Public Works Loan	53,010
Total Major Funds	$88,350

NOTE 8 - MUNICIPAL INCOME TAXES

The City levies and collects an income tax of 2 percent based 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 75 percent (up to 1.5 percent of the 2 percent income tax total) of the tax paid to another municipality. 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. Income tax revenue was credited to the General Fund (1.5 percent) and to the Various Improvements capital projects fund (.5 percent) for 2018.

NOTE 9 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Real property tax revenues received in 2018 represent the collection of 2017 taxes. Real property taxes received in 2018 were levied after October 1, 2017, on the assessed values as of January 1, 2017, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenues received in 2018 represent the collection of 2017 taxes. Public utility real and tangible personal property taxes received in 2018 became a lien on December 31, 2016, were levied after October 1, 2017, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City Waterville. The County Auditor periodically remits to the City its portion of the taxes collected.

Accrued property taxes receivable represents real and public utility property taxes which were measurable as of December 31, 2018, and for which there was an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2018 operations is offset to deferred inflows of resources - property taxes. On the accrual basis, delinquent real property taxes have been recorded as a receivable and revenue while on the modified accrual basis, the revenue has been reported as deferred inflows of resources - unavailable revenue.

NOTE 9 - PROPERTY TAXES (continued)

The full tax rate for all City operations for the year ended December 31, 2018, was $3.70 per $1,000 of assessed value. The assessed values of real and public utility property upon which 2018 property tax receipts were based are as follows:

Category	Assessed Value
Real Estate	
Agricultural/Residential	$110,299,490
Commercial/Industrial	15,323,740
Public Utility Real	18,220
Public Utility Personal	3,102,460
Total	$128,743,910

NOTE 10 - CAPITAL ASSETS

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

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
Governmental Activities:				
Nondepreciable Capital Assets				
Land	$1,939,933	$0	$0	$1,939,933
Depreciable Capital Assets				
Land Improvements	1,004,239	0	0	1,004,239
Buildings and Improvements	1,293,917	0	0	1,293,917
Furniture, Fixtures, and Equipment	1,061,614	33,954	(5,500)	1,090,068
Vehicles	2,347,790	235,983	(141,821)	2,441,952
Streets	28,742,453	380,635	0	29,123,088
Total Depreciable Capital Assets	34,450,013	650,572	(147,321)	34,953,264
Less Accumulated Depreciation for				
Land Improvements	(125,544)	(47,308)	0	(172,852)
Buildings and Improvements	(234,612)	(14,276)	0	(248,888)
Furniture, Fixtures, and Equipment	(643,169)	(50,956)	5,500	(688,625)
Vehicles	(1,217,822)	(85,093)	138,395	(1,164,520)
Streets	(18,718,425)	(760,247)	0	(19,478,672)
Total Accumulated Depreciation	(20,939,572)	(957,880)	143,895	(21,753,557)
Total Depreciable Capital Assets, Net	13,510,441	(307,308)	(3,426)	13,199,707
Governmental Activities Capital Assets, Net	$15,450,374	($307,308)	($3,426)	$15,139,640

Governmental activities accepted a contribution of capital assets from outside sources, with a fair value of $231,702, during 2018.

NOTE 10 - CAPITAL ASSETS (continued)

	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
Business-Type Activities:				
Nondepreciable Capital Assets				
Land	$33,643	$0	$0	$33,643
Construction in Progress	87,050	504,950	(87,500)	504,500
Total Nondepreciable Capital Assets	120,693	504,950	(87,500)	538,143
Depreciable Capital Assets				
Buildings and Improvements	148,393	0	0	148,393
Furniture, Fixtures, and Equipment	2,015,217	0	0	2,015,217
Vehicles	262,823	0	(25,579)	237,244
Water, Sewer, and Storm Sewer Lines	22,078,404	765,816	0	22,844,220
Total Depreciable Capital Assets	24,504,837	765,816	(25,579)	25,245,074
Less Accumulated Depreciation for				
Buildings and Improvements	(71,287)	(2,403)	0	(73,690)
Furniture, Fixtures, and Equipment	(1,344,636)	(85,437)	0	(1,430,073)
Vehicles	(206,296)	(5,389)	25,043	(186,642)
Water, Sewer, and Storm Sewer Lines	(8,967,757)	(441,579)	0	(9,409,336)
Total Accumulated Depreciation	(10,589,976)	(534,808)	25,043	(11,099,741)
Total Depreciable Capital Assets, Net	13,914,861	231,008	(536)	14,145,333
Business-Type Activities Capital Assets, Net	$14,035,554	$735,958	($88,036)	$14,683,476

Business-type activities accepted a contribution of capital assets from outside sources, with a fair value of $678,316, during 2018.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities	
Security of Persons and Property - Police	$13,259
Security of Persons and Property - Fire	80,199
Leisure Time Activities	55,933
Transportation	792,724
General Government	15,765
Total Depreciation Expense - Governmental Activities	$957,880

NOTE 11 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2018, the City contracted with the Ohio Plan Risk Management, an insurance purchasing pool, for the following coverage:

Type of Coverage	Coverage	Deductible
Blanket Building and Personal Property	$11,034,951	$1,000
Special Property	1,188,373	1,000
General Liability		
Occurrence	5,000,000	0
Aggregate	7,000,000	0
Employer's Liability		
Occurrence	5,000,000	0
Aggregate	5,000,000	0
Employee Benefits		
Occurrence	5,000,000	0
Aggregate	7,000,000	0
Public Officials Liability		
Occurrence	5,000,000	2,500
Aggregate	7,000,000	2,500
Law Enforcement Liability		
Occurrence	5,000,000	2,500
Aggregate	7,000,000	2,500
Auto Liability	5,000,000	500

There has been no significant reduction in insurance coverage from 2017 and no insurance settlement has exceeded insurance coverage during the last three years.

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

NOTE 12 - CONTRACTUAL COMMITMENTS

At December 31, 2018, the City had contractual commitments as follows:

Company	Project	Amount Remaining on Contract
Jones & Henry Engineers	Dutch Rd./Anthony Wayne Trail Waterline Extension	$4,735
Great Lakes Demolition Co.	Michigan Ave. Waterline Phase 2	104,148

NOTE 13 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability (Asset)/Net OPEB Liability

The net pension liability (asset) and the net OPEB liability reported on the statement of net position represent a liability to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions, between an employer and its employees, of salaries and benefits for employee services. Pensions/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 pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

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

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

GASB Statements No. 68 and No. 75 assume 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 the employers. All pension contributions to date have come solely from the employer (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contribution to provide for OPEB benefits. In addition, health care plan enrollees pay a portion of the health care cost in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within thirty years. If the pension amortization period exceeds thirty years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require, the retirement systems to provide health care to eligible benefit recipients.

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

The remainder of this note includes the required pension disclosures. See Note 14 for the required OPEB disclosures.

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional 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 combination cost-sharing multiple-employer defined benefit/defined contribution pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional and combined plans. 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 in the traditional and combined plans 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 and combined plans as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information including requirements for reduced and unreduced benefits).

Group A	**Group B**	**Group C**
Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Members not in other groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula:	**Traditional Plan Formula:**	**Traditional Plan 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 years	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30 years	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 years
Combined Plan Formula:	**Combined Plan Formula:**	**Combined Plan Formula:**
1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 years	1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 years

(continued)

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013, or five years after January 7, 2013	20 years of service credit prior to January 7, 2013, or eligible to retire ten years after January 7, 2013	Members not in other groups and members hired on or after January 7, 2013
Public Safety	**Public Safety**	**Public Safety**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	**Law Enforcement**	**Law Enforcement**
Age and Service Requirements:	**Age and Service Requirements:**	**Age and Service Requirements:**
Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	**Public Safety and Law Enforcement**	**Public Safety and Law Enforcement**
Traditional Plan Formula:	**Traditional Plan Formula:**	**Traditional Plan Formula:**
2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years	2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25 years

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 traditional plan benefit recipient has received benefits for twelve 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. Members retiring under the combined plan receive a cost of living adjustment on the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 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 capped at 3 percent.

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Defined contribution plan benefits are established in the plan documents which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed plan participants must have attained the age of fifty-five, have money on deposit in the defined contribution plan, and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the member's contributions, vested employer contributions, and investment gains or losses resulting from the member's investment selections. Employer contributions and associated investment earnings vest over a five year period at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS account. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of the entire account balance net of taxes withheld, or a combination of these options.

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

	State and Local	Public Safety	Law Enforcement
2018 Statutory Maximum Contribution Rates			
Employer	14.0%	18.1%	18.1%
Employee *	10.0 %	**	***
2018 Actual Contribution Rates			
Employer			
Pension ****	14.0 %	18.1 %	18.1 %
Postemployment Health Care Benefits ****	0.0	0.0	0.0
Total Employer	14.0 %	18.1 %	18.1 %
Total Employee	10.0 %	12.0 %	13.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** This rate is determined by OPERS' Board and has no maximum rate established by the ORC.

*** This rate is also determined by OPERS' Board but is limited by the ORC to not more than 2 percent greater than the public safety rate.

**** These pension and employer health care rates are for the traditional and combined plans. The employer contribution rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

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

For 2018, the City's contractually required contribution was $113,269 for the traditional plan, $13,368 for the combined plan, and $1,069 for the member-directed plan. Of these amounts, $9,214 is reported as an intergovernmental payable for the traditional plan, $1,087 for the combined plan, and $87 for the member-directed plan.

Plan Description - Ohio Police and Fire Pension Fund (OPF)

Plan Description - Full-time police and firefighters participate in the Ohio Police and Fire Pension Fund (OPF), a cost-sharing multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information, required supplementary information, and detailed information about OPF's fiduciary net position that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, an OPF member may retire and receive a lifetime monthly pension. OPF 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 fifty-two for normal service retirement with at least twenty-five years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is forty-eight for normal service retirement with at least twenty-five 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 twenty years of service credit, 2 percent for each of the next five years of service credit, and 1.5 percent for each year of service credit in excess of twenty-five years. The maximum pension of 72 percent of the allowable average annual salary is paid after thirty-three years of service credit. (See the OPF CAFR referenced above for additional information including requirements for deferred retirement option plan provisions and reduced and unreduced benefits.)

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Under normal service retirement, retired members who are at least fifty-five years old and have been receiving OPF benefits for at least one year may be eligible for a cost of living allowance adjustment. The age fifty-five provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than fifteen years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3 percent or the percentage increase in the Consumer Price Index, if any, over the twelve month period ending on September 30 of the immediately preceding year rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
2018 Statutory Maximum Contribution Rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2018 Actual Contribution Rates		
Employer		
Pension	19.00 %	23.50 %
Postemployment Health Care Benefits	.50	.50
Total Employer	19.50 %	24.00 %
Total Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution was $182,410 for 2018. Of this amount, $12,409 is reported as an intergovernmental payable.

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Pension Liability (Asset), Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pension

The net pension liability (asset) for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability (asset) 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 Traditional Plan	OPERS Combined Plan	OPF	Total
Proportion of the Net Pension Liability/Asset				
Current Measurement Date	0.00599200%	0.02260100%	0.03752700%	
Prior Measurement Date	0.00627900%	0.02264900%	0.03828700%	
Change in Proportionate Share	0.00028700%	0.00004800%	0.00076000%	
Proportionate Share				
Net Pension Liability	$940,028	$0	$2,303,202	$3,243,230
Net Pension Asset	$0	$30,766	$0	$30,766
Pension Expense	$192,408	($19,459)	$297,871	$470,820

Pension expense for the member-directed defined contribution plan was $1,069 for 2018.

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

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Deferred Outflows of Resources				
Difference Between Expected and Actual Experience	$960	$0	$34,952	$35,912
Changes of Assumptions	112,340	2,689	100,363	215,392
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	5,684	23	114,162	119,869
City Contributions Subsequent to the Measurement Date	113,269	13,368	182,410	309,047
Total Deferred Outflows of Resources	$232,253	$16,080	$431,887	$680,220

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Deferred Inflows of Resources	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Difference Between Expected and Actual Experience	$18,525	$9,165	$4,167	$31,857
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	201,812	4,854	79,673	286,339
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	30,055	0	36,575	66,630
Total Deferred Inflows of Resources	$250,392	$14,019	$120,415	$384,826

$309,047 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 or increase in the net pension asset in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense as follows.

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Year Ending December 31,				
2019	$74,076	($1,541)	$81,919	$154,454
2020	(33,689)	(1,673)	60,972	25,610
2021	(88,868)	(2,761)	(21,550)	(113,179)
2022	(82,927)	(2,646)	(17,230)	(102,803)
2023	0	(941)	20,452	19,511
Thereafter	0	(1,745)	4,499	2,754
Total	($131,408)	(11,307)	$129,062	($13,653)

Actuarial Assumptions - OPERS

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

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with GASB Statement No. 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013	3 percent simple	3 percent simple
Post-January 7, 2013	3 percent simple through 2018, then 2.15 percent simple	3 percent simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	individual entry age	individual entry age

Preretirement mortality rates were 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. Postretirement mortality rates were 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. Postretirement mortality rates for disabled retirees were based on the RP-2014 Disabled Mortality Table for males and females adjusted for mortality improvement back to the observation 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 were 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 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 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.

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

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

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

Discount Rate - The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.5 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 (6.5 percent) or one percentage point higher (8.5 percent) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's Proportionate Share of the Net Pension Liability (Asset)			
OPERS Traditional Plan	$1,669,251	$940,028	$332,077
OPERS Combined Plan	($16,725)	$30,766	($40,456)

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

Actuarial Assumptions - OPF

OPF'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 OPF's actuaries in accordance with GASB Statement No. 67 as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about the 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. Assumptions considered were withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI based COLA, investment returns, salary increases, and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented below.

	January 1, 2017	January 1, 2016
Valuation Date	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	entry age normal	entry age normal
Investment Rate of Return	8 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of .5 percent	Inflation rate of 3.25 percent plus productivity increase rate of .5 percent
Cost of Living Adjustments	3 percent simple; 2.2 percent simple for increases based on lesser of the increase in CPI and 3 percent	3 percent simple; 2.6 percent simple for increases based on lesser of the increase in CPI and 3 percent

For the January 1, 2017, valuation, mortality for nondisabled participants was 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 were adjusted by 120 percent.

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

For the January 1, 2017, valuation, mortality for disabled retirees was based on the RP-2014 Disabled Mortality Table rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

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

For the January 1, 2016, valuation, rates of death were based on the RP-2000 Combined Table, age adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five year period ended December 31, 2016; the 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 expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2017, are summarized below.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return*
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equities	16.00	5.21
Non-U.S. Equities	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

NOTE 13 - DEFINED BENEFIT PENSION PLANS (continued)

OPF's Board of Trustees has incorporated the risk parity concept into OPF'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 - For 2017, the total pension liability was calculated using the discount rate of 8 percent. The discount rate used for 2016 was 8.25 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 of 8 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - Net pension liability is sensitive to changes in the discount rate and, to illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8 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 percent) or one percentage point higher (9 percent) than the current rate.

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
City's Proportionate Share of the Net Pension Liability	$3,192,841	$2,303,202	$1,577,619

NOTE 14 - POSTEMPLOYMENT BENEFITS

See Note 13 for a description of the net OPEB liability.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

OPERS maintains a cost-sharing multiple-employer defined benefit postemployment 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 and combined pension 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.

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

In order to qualify for postemployment health care coverage, age and service retirees under the traditional and combined pension 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 postemployment benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75. See OPERS' CAFR referenced below for additional information.

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

Disclosures for the health care plan are presented separately in the OPERS financial report which 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.

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 the 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 14 percent of earnable salary and public safety and law enforcement employers contributed 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 of Trustees determines the portion of the employer contribution rate that will be set aside to fund the health care plans. The portion of the employer contribution allocated to health care for members of both the traditional and combined plans was 1 percent for calendar year 2017. As recommended by OPERS' actuary, the portion of the employer contribution 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 of the member-directed plan was 4 percent for 2018.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $428 for 2018. Of this amount, $35 is reported as an intergovernmental payable.

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

Plan Description - Ohio Police and Fire Pension Fund (OPF)

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing multiple-employer defined postemployment health care 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. OPF provides health care benefits including coverage for medical, prescription drug, dental, vision, Medicare Part B Premium reimbursement to retirees, qualifying benefit recipients, and their eligible dependents.

OPF 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 OPF meets the definition of an other postemployment benefit (OPEB) as described in GASB Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

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

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as a percentage of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, 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.

OPF maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B premium reimbursements. A separate health care trust accrual account is maintained for health care benefits under an 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 contribution made to the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of the employer contribution allocated to health care was .5 percent of covered payroll. The amount of the employer contribution 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 OPF Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

The City's contractually required contribution to OPF was $4,628 for 2018. Of this amount, $319 is reported as an intergovernmental payable.

OPEB Liability, OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and the 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. OPF'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.

	OPERS	OPF	Total
Proportion of the Net OPEB Liability			
Current Measurement Date	0.00633000%	0.03752700%	
Prior Measurement Date	0.00660000%	0.03828700%	
Change in Proportionate Share	0.00027000%	0.00076000%	
Proportionate Share of the Net OPEB Liability	$687,391	$2,126,227	$2,813,618
OPEB Expense	$49,151	$164,277	$213,428

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			
Difference Between Expected and Actual Experience	$535	$0	$535
Changes of Assumptions	50,049	207,475	257,524
City Contributions Subsequent to the Measurement Date	428	4,628	5,056
Total Deferred Outflows of Resources	$51,012	$212,103	$263,115

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

	OPERS	OPF	Total
Deferred Inflows of Resources			
Difference Between Expected and Actual Experience	$0	$10,724	$10,724
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	51,206	13,996	65,202
Changes in Proportion and Differences Between City Contributions and the Proportionate Share of Contributions	18,449	33,814	52,263
Total Deferred Inflows of Resources	$69,655	$58,534	$128,189

$5,056 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 as OPEB expense as follows.

	OPERS	OPF	Total
Year Ending December 31,			
2019	$2,562	$20,322	$22,884
2020	2,562	20,322	22,884
2021	(11,394)	20,322	8,928
2022	(12,801)	20,322	7,521
2023	0	23,821	23,821
Thereafter	0	43,832	43,832
Total	($19,071)	$148,941	$129,870

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.

<u>NOTE 14 - POSTEMPLOYMENT BENEFITS</u> (continued)

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 Statement No. 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	6.5 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

Preretirement mortality rates were 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. Postretirement mortality rates were 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. Postretirement mortality rates for disabled retirees were based on the RP-2014 Disabled Mortality Table for males and females adjusted for mortality improvement back to the observation 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 were 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.

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

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 assets for health care expenses for the traditional plan, the combined plan, and the 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 was 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. 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 %	

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 twenty 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 the expected rate of return on the health care investment portfolio of 6.5 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on those 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 2034 and the municipal bond rate was applied to all health care costs after that date.

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 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	$913,229	$687,391	$504,691

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 assumed trend rates and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1 percent lower or 1 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 7.5 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 Health Care Cost Trend Rate Assumption	1% Increase
City's Proportionate Share of the Net OPEB Liability	$657,687	$687,391	$718,075

Actuarial Assumptions - OPF

OPF'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 OPF'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 the 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.

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation 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 effect 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 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 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of .5 percent
Single Discount Rate:	
Current Measurement Date	3.24 percent
Prior Measurement Date	3.79 percent
Cost of Living Adjustments	3 percent simple; 2.2 percent simple for increases based on lesser of the increase in CPI and 3 percent

Mortality for nondisabled participants was 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 were adjusted by 120 percent.

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

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

Mortality for disabled retirees was based on the RP-2014 Disabled Mortality Table 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 OPF health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 13.

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 contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, the plan'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 Twenty 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 all 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 Pension Liability	$2,657,810	$2,126,227	$1,717,194

NOTE 14 - POSTEMPLOYMENT BENEFITS (continued)

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

Year	Non-Medicare	Non-AARP	AARP	RX Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	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 health care cost trend 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 Rates	1% Increase
City's Proportionate Share of the Net OPEB Liability	$1,651,692	$2,126,227	$2,765,741

Changes between the Measurement Date and the Report Date

In March 2018, the OPF 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 OPF will be placed in individual health reimbursement accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's net OPEB liability is not known.

NOTE 15 - COMPENSATED ABSENCES

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws.

City employees earn vacation at varying rates depending on length of service. Current policy credits vacation leave each biweekly pay period. Employees are paid for 100 percent of accumulated unused vacation leave upon termination.

NOTE 15 - COMPENSATED ABSENCES (continued)

Upon retirement, full-time employees within in the sergeant police unit with ten or more years of service, who were hired before August 8, 1983, are entitled to receive all of their accrued but unused sick leave up to a maximum of nine hundred sixty hours. All other full-time employees with ten or more years of service are entitled to receive one-fourth of the value of their unused sick leave up to a maximum of two hundred forty hours.

NOTE 16 - NOTES PAYABLE

The City's note transactions for the year ended December 31, 2018, were as follows:

	Interest Rate	Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018
Governmental Activities					
General Obligation Bond Anticipation Notes					
2017 Various Purpose	2.0%	$180,300	$0	$180,300	$0
2018 Various Purpose	2.75	0	75,000	0	75,000
Total Bond Anticipation Notes		$180,300	$75,000	$180,300	$75,000
Business-Type Activities					
General Obligation Bond Anticipation Notes					
Enterprise Funds					
2017 Water Improvements	2.0%	$1,017,700	$0	$1,017,700	$0
2018 Water Improvements	2.75	0	1,197,000	0	1,197,000
2017 Wastewater Improvements	2.0	67,000	0	67,000	0
2018 Wastewater Improvements	2.75	0	51,000	0	51,000
Total Bond Anticipation Notes		$1,084,700	$1,248,000	$1,084,700	$1,248,000

According to Ohio law, notes can be issued in anticipation of bond proceeds and levies or for up to 50 percent of anticipated revenue collections. The liability for all notes is presented in the fund receiving the proceeds. All of the City's bond anticipation notes are backed by the full faith and credit of the City of Waterville.

The bond anticipation notes, in the amount of $75,000, were issued on July 24, 2018, to partially retire notes previously issued in 2017 for various purposes. The notes have an interest rate of 2.75 percent and mature on July 24, 2019. The notes will be paid from the Various Improvements capital projects fund. As of December 31, 2018, all proceeds were spent.

The bond anticipation notes in the Water enterprise fund, in the amount of $1,197,000, were issued on July 24, 2018, to retire notes previously issued to improve water lines as well as proceeds for new waterline improvements. The notes have an interest rate of 2.75 percent and mature on July 24, 2019. As of December 31, 2018, all proceeds were spent.

NOTE 16 - NOTES PAYABLE (continued)

The bond anticipation notes in the Sewer enterprise fund, in the amount of $51,000, were issued on July 24, 2018, to partially retire notes previously issued to improve sanitary sewer lines and storm sewer lines. The notes have an interest rate of 2.75 percent and mature on July 24, 2019. As of December 31, 2018, all proceeds were spent.

NOTE 17 - LONG-TERM OBLIGATIONS

The City's long-term obligations activity for the year ended December 31, 2018, was as follows:

	Interest Rate	Restated Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Governmental Activities						
Bond Anticipation Notes						
2017 Various Purpose	2.0%	$260,000	$0	$260,000	$0	$0
2018 Various Purpose	2.75	0	185,000	0	185,000	185,000
Total Bond Anticipation Notes		260,000	185,000	260,000	185,000	185,000
General Obligation Bonds						
2012 Various Purpose Refunding (Original Amount $2,545,000)	2.0	1,795,000	0	145,000	1,650,000	140,000
OPWC Loans						
1999 OPWC Loans Payable (Original Amount $157,946)	0	11,847	0	7,898	3,949	3,949
2008 OPWC Loans Payable (Original Amount $246,242)	0	129,277	0	12,312	116,965	12,312
Total OPWC Loans		141,124	0	20,210	120,914	16,261
Other Long-Term Obligations						
Net Pension Liability						
Ohio Public Employees Retirement System		947,336	0	323,067	624,269	0
Ohio Police and Fire Pension		2,425,060	0	121,858	2,303,202	0
Total Net Pension Liability		3,372,396	0	444,925	2,927,471	0
Net OPEB Liability						
Ohio Public Employees Retirement System		442,904	13,594	0	456,498	0
Ohio Police and Fire Pension		1,817,398	308,829	0	2,126,227	0
Total Net OPEB Liability		2,260,302	322,423	0	2,582,725	0
Compensated Absences Payable		137,416	17,555	42,173	112,798	45,043
Total Governmental Activities		$7,966,238	$524,978	$912,308	$7,578,908	$386,304

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

	Interest Rate	Restated Balance December 31, 2017	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Business-Type Activities						
General Obligation Bonds						
2015 Various Purpose (Original Amount $3,300,000)	3 - 3.875%	$3,145,000	$0	$120,000	$3,025,000	$120,000
OPWC Loans						
1999 OPWC Loans Payable (Original Amount $128,489)	0	9,637	0	6,425	3,212	3,212
2004 OPWC Loans Payable (Original Amount $57,585)	0	20,155	0	2,879	17,276	2,879
2006 OPWC Loans Payable (Original Amount $129,202)	.01	64,587	0	6,514	58,073	6,580
2009 OPWC Loans Payable (Original Amount $127,307)	0	73,205	0	6,365	66,840	6,365
2010 OPWC Loans Payable (Original Amount $152,550)	0	99,157	0	7,628	91,529	7,628
2011 OPWC Loans Payable (Original Amount $125,456)	0	90,956	0	6,272	84,684	6,272
2015 OPWC Loans Payable (Original Amount $143,100)	0	139,522	0	7,155	132,367	7,155
2018 OPWC Loans Payable (Original Amount $53,010)	0	0	53,010	0	53,010	0
Total OPWC Loans		497,219	53,010	43,238	506,991	40,091
OWDA Loans						
2010 OWDA Loans Payable (Original Amount $172,380)	2.75	33,195	0	2,156	31,039	2,216
Other Long-Term Obligations						
Net Pension Liability						
Ohio Public Employees Retirement System		478,520	0	162,761	315,759	0
Net OPEB Liability						
Ohio Public Employees Retirement System		223,718	7,175	0	230,893	0
Due to Lucas County		1,482,022	0	108,557	1,373,465	140,073
Compensated Absences Payable		26,525	2,140	0	28,665	14,657
Total Other Long-Term Obligations		2,210,785	9,315	271,318	1,948,782	154,730
Total Business-Type Activities		$5,886,199	$62,325	$436,712	$5,511,812	$317,037

Bond Anticipation Notes

On July 24, 2018, the City issued bond anticipation notes, in the amount of $185,000 to partially retire notes previously issued in 2017 for various purposes. The notes have an interest rate of 2.75 percent and mature on July 24, 2019. The notes will be paid from the Various Improvements capital projects fund.

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

General Obligation Bonds
On August 2, 2012, the City issued unvoted general obligation bonds, in the amount of $2,545,000; $1,040,000 to retire bond anticipation notes previously issued and $1,505,000 to advance refund 2002 various purpose bonds. The refunding bond issue includes serial and term bonds. The bonds were issued for a twenty-three year period, with final maturity in 2035. The bonds are being retired through the Various Improvements capital projects fund.

At December 31, 2018, $905,000 of the refunded bonds was still outstanding.

The bonds maturing on December 1, 2020, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2019	$140,000

The remaining principal, in the amount of $145,000, will be paid at stated maturity on December 1, 2020.

The bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2021	$145,000

The remaining principal, in the amount of $160,000, will be paid at stated maturity on December 1, 2022.

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2023	$165,000

The remaining principal, in the amount of $170,000, will be paid at stated maturity on December 1, 2024.

The bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2025	$170,000

The remaining principal, in the amount of $180,000, will be paid at stated maturity on December 1, 2026.

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

The bonds maturing on December 1, 2031, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2027	$55,000
2028	55,000
2029	55,000
2030	60,000

The remaining principal, in the amount of $60,000, will be paid at stated maturity on December 1, 2031.

The bonds maturing on December 1, 2035, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2032	$15,000
2033	15,000
2034	15,000

The remaining principal, in the amount of $15,000, will be paid at stated maturity on December 1, 2035.

The serial bonds maturing on or after December 1, 2022, are subject to optional redemption prior to maturity, either in whole or in part, in inverse order of maturity, in integral multiples of $5,000, on any date on or after December 31, 2022, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

On July 28, 2015, the City issued unvoted general obligation bonds, in the amount of $3,300,000; $820,000 to retire bond anticipation notes previously issued and $2,480,000 to construct a waterline to connect to the City of Bowling Green. The bond issue includes serial and term bonds. The bonds were issued for a twenty-six year period, with final maturity in 2041. The bonds are being retired through the Water and Sewer enterprise funds.

The bonds maturing on December 1, 2022, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2021	$125,000

The remaining principal, in the amount of $125,000, will be paid at stated maturity on December 1, 2022.

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

The bonds maturing on December 1, 2024, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2023	$125,000

The remaining principal, in the amount of $130,000, will be paid at stated maturity on December 1, 2024.

The bonds maturing on December 1, 2026, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2025	$130,000

The remaining principal, in the amount of $140,000, will be paid at stated maturity on December 1, 2026.

The bonds maturing on December 1, 2028, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2027	$145,000

The remaining principal, in the amount of $145,000, will be paid at stated maturity on December 1, 2028.

The bonds maturing on December 1, 2030, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2029	$150,000

The remaining principal, in the amount of $155,000, will be paid at stated maturity on December 1, 2030.

The bonds maturing on December 1, 2032, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2031	$155,000

The remaining principal, in the amount of $160,000, will be paid at stated maturity on December 1, 2032.

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

The bonds maturing on December 1, 2035, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2033	$105,000
2034	110,000

The remaining principal, in the amount of $115,000, will be paid at stated maturity on December 1, 2035.

The bonds maturing on December 1, 2038, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2036	$120,000
2037	120,000

The remaining principal, in the amount of $125,000, will be paid at stated maturity on December 1, 2038.

The bonds maturing on December 1, 2041, are subject to mandatory sinking fund redemption, at a redemption price equal to 100 percent of the principal amount redeemed plus accrued interest to the date of redemption, on December 1 in the years and the respective principal amounts as follows:

Year	Amount
2039	$130,000
2040	135,000

The remaining principal, in the amount of $140,000, will be paid at stated maturity on December 1, 2041.

The serial bonds maturing on or after December 1, 2020, are subject to optional redemption prior to maturity, either in whole or in part, in inverse order of maturity, in integral multiples of $5,000, on any date on or after June 1, 2020, at 100 percent of the principal amount redeemed plus accrued interest to the redemption date.

OPWC Loans Payable

The City has entered into loan agreements with the Ohio Public Works Commission for various street related and water and sewer related projects. With the exception of Dutch Road lift station, the loans are interest free. The loans will be paid from resources of the Various Improvements capital projects fund and the Water and Sewer enterprise funds.

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

OWDA Loans Payable
The City has entered into loan agreements with the Ohio Water Development Authority for construction of a water line and a sanitary sewer project. The loans will be paid from resources of the Water and Sewer enterprise funds.

The OPWC and OWDA loans for water and sewer projects are to be paid from the gross revenues of the Water and Sewer enterprise funds after provisions for reasonable operating and maintenance expenses. Annual principal and interest payments on the loans are expected to require less than 100 percent of these net revenues in future years. The total principal and interest remaining to be paid on the OPWC and OWDA loans (for which amortization schedules are available) are $456,631 and $36,652, respectively. Principal and interest paid for the current year and net revenues were $19,792 and $559,287 for the Water enterprise fund and $27,130 and $155,926 for the Sewer enterprise fund.

Net Pension/OPEB Liability
There is no repayment schedule for the net pension/OPEB liability; however, employer pension contributions are made from the General Fund, Street, Maintenance special revenue fund, and Water and Sewer enterprise funds. For additional information related to the net pension/OPEB liability, see Notes 13 and 14 to the basic financial statements.

Due to Lucas County
In 1973, the City entered into an agreement with the Lucas County Commissioners to provide for the use of the Maumee River Wastewater Treatment Plant with the City paying a portion of the construction cost to Lucas County over a 40 year period. In 1996, the plant was expanded and the City agreed to pay a portion of expansion costs based on the City's quarterly consumption rate. In 2007, the plant again expanded. The City agreed to pay 13.33 percent of these improvement costs to Lucas County over a twenty year period. In 2010, the plant was once again expanded and the City agreed to pay a portion of the expansion costs based on the City's quarterly consumption rate.

In 2011, the City entered into an agreement with Lucas County to pay for their portion of the North River Road water line.

Compensated Absences
The compensated absences liability will be paid from the fund from which the employees' salaries are paid. These funds include the General Fund, the Street Maintenance special revenue fund, and the Water and Sewer enterprise funds.

The City's legal debt margin was $11,487,197 at December 31, 2018.

The Michigan Avenue Phase 2 project funded by an OPWC loan has not been completed. An amortization schedule for the repayment of this loan will not be available until the project is completed and, therefore, is not included in the following schedule.

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

Principal and interest requirements to retire governmental activities long-term obligations outstanding at December 31, 2018, were as follows:

	General Obligation Bonds		OPWC Loans
Year	Principal	Interest	Principal
2019	$140,000	$50,988	$16,261
2020	145,000	47,487	12,312
2021	145,000	43,863	12,312
2022	160,000	39,512	12,312
2023	165,000	34,713	12,312
2024-2028	630,000	98,647	55,405
2029-2033	235,000	28,175	0
2034-2035	30,000	1,800	0
Total	$1,650,000	$345,185	$120,914

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2018, from the business-type activities were as follows:

	General Obligation Bonds	
Year	Principal	Interest
2019	$120,000	$98,681
2020	120,000	95,081
2021	125,000	91,481
2022	125,000	87,731
2023	125,000	83,981
2024-2028	690,000	361,105
2029-2033	725,000	251,606
2034-2038	590,000	145,310
2039-2041	405,000	31,775
Total	$3,025,000	$1,246,751

NOTE 17 - LONG-TERM OBLIGATIONS (continued)

	OPWC Loans		OWDA Loans		Due to Lucas County
Year	Principal	Interest	Principal	Interest	Principal
2019	$40,091	$564	$2,216	$838	$140,073
2020	36,944	499	2,277	777	108,935
2021	37,011	432	2,340	714	112,330
2022	37,078	365	2,405	649	115,857
2023	37,146	297	2,472	583	119,522
2024-2028	164,491	493	13,424	1,848	645,531
2029-2033	76,178	0	5,905	204	131,217
2034-2037	25,042	0	0	0	0
Total	$453,981	$2,650	$31,039	$5,613	$1,373,465

NOTE 18 - FUND BALANCE

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

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

Fund Balance	General	Various Improvements	Other Governmental	Total Governmental Funds
Nonspendable for:				
Prepaid Items	$20,599	$0	$5,098	$25,697
Materials and Supplies Inventory	7,281	0	28,285	35,566
Total Nonspendable	27,880	0	33,383	61,263
Restricted for:				
Permanent Improvements	0	1,738,801	0	1,738,801
Police Department Operations	0	0	38,416	38,416
Street Construction and Maintenance	0	0	293,754	293,754
Total Restricted	0	1,738,801	332,170	2,070,971
Committed for:				
Parks and Green Space Improvement	0	0	178,131	178,131
Future Severance Payments	31,564	0	0	31,564
Total Committed	31,564	0	178,131	209,695
Assigned for				
Projected Budget Shortage	359,139	0	0	359,139
Unassigned	1,363,783	0	0	1,363,783
Total Fund Balance	$1,782,366	$1,738,801	$543,684	$4,064,851

NOTE 19 - INTERNAL BALANCES AND TRANSFERS

The City uses an internal proportionate share to allocate its net pension liability and corresponding deferred outflows/inflows of resources and pension expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension deferred outflows/inflows of resources in the governmental activities and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the government-wide statement of net position thus allowing the total column to present the change in proportionate share for the City as a whole.

Eliminations made in the business-type activities column include a deferred outflow of resources for the Water enterprise fund and a deferred inflow of resources for the Sewer enterprise fund, in the amount of $102.

During 2018, the General Fund made transfers to the Various Improvements capital projects fund and the Sewer enterprise fund, in the amount of $150,000 and $12,000, respectively, as debt payments became due. The General Fund also made transfers to other governmental funds, in the amount of $110,000, to subsidize activities of the various funds.

NOTE 20 - INSURANCE POOL

The City participates in the Ohio Plan Risk Management (Plan), an insurance purchasing pool established under Section 2744.081 of the Ohio Revised Code. The Plan is an unincorporated nonprofit association of its members which enables the participants to provide for a formalized joint insurance purchasing program for maintaining adequate insurance protection and provides risk management programs and other administrative services. The plan's business and affairs are conducted by an eleven member board consisting of public officials selected from the membership. Financial information can be obtained from Ohio Plan Risk Management, 420 Madison Avenue, Toledo, Ohio 43204.

NOTE 21 - CONTINGENT LIABILITIES

A. Litigation

There are currently no matters of litigation with the City as defendant.

B. Federal and State Grants

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

City of Waterville
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional
Last Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.00599200%	0.00627900%	0.00615500%	0.00612200%	0.00612200%
City's Proportionate Share of the Net Pension Liability	$940,028	$1,425,856	$1,066,124	$738,382	$721,704
City's Covered Payroll	$791,808	$811,758	$766,114	$750,617	$887,666
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	118.72%	175.65%	139.16%	98.37%	81.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

City of Waterville
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Asset
Ohio Public Employees Retirement System - Combined
2018 (1)

	2018
City's Proportion of the Net Pension Asset	0.02260100%
City's Proportionate Share of the Net Pension Asset	$30,766
City's Covered Payroll	$92,562
City's Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll	33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

Amounts presented as of the City's measurement date which is the prior year end.

City of Waterville
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Ohio Public Employees Retirement System
Last Two Years (1)

	2018	2017
City's Proportion of the Net OPEB Liability	0.00633000%	0.00660000%
City's Proportionate Share of the Net OPEB Liability	$687,391	$666,622
City's Covered Payroll	$896,045	$912,650
City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	76.71%	73.04%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

City of Waterville
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund
Last Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.03752700%	0.03828700%	0.03637100%	0.03462640%	0.03752700%
City's Proportionate Share of the Net Pension Liability	$2,303,202	$2,425,060	$2,339,771	$1,793,792	$1,686,414
City's Covered Payroll	$877,699	$780,794	$798,325	$749,103	$758,514
City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	262.41%	310.59%	293.09%	239.46%	222.33%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

City of Waterville
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Ohio Police and Fire Pension Fund
Last Two Years (1)

	2018	2017
City's Proportion of the Net OPEB Liability	0.03752700%	0.03828700%
City's Proportionate Share of the Net OPEB Liability	$2,126,227	$1,817,398
City's Covered Payroll	$877,699	$780,794
City's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	242.25%	232.76%
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. An additional column will be added each year.

Amounts presented as of the City's measurement date which is the prior year end.

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City of Waterville
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Six Years (1)

	2018	2017	2016	2015	2014	2013
Net Pension Liability - Traditional Plan						
Contractually Required Contribution	$113,269	$102,935	$97,411	$91,934	$90,074	$115,397
Contributions in Relation to the Contractually Required Contribution	(113,269)	(102,935)	(97,411)	(91,934)	(90,074)	(115,397)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0
City Covered Payroll	$809,064	$791,808	$811,758	$766,114	$750,617	$887,666
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
Net Pension Liability - Combined Plan						
Contractually Required Contribution	$13,368	$12,033	$10,580	$10,035	$9,540	$9,738
Contributions in Relation to the Contractually Required Contribution	(13,368)	(12,033)	(10,580)	(10,035)	(9,540)	(9,738)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0
City's Covered Payroll	$95,486	$92,562	$88,167	$83,625	$79,500	$74,908
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
Net Pension Liability - OPEB Plan (2)						
Contractually Required Contribution	$428	$9,311	$18,508			
Contributions in Relation to the Contractually Required Contribution	(428)	(9,311)	(18,508)			
Contribution Deficiency (Excess)	$0	$0	$0			
City's Covered Payroll (3)	$915,250	$896,045	$912,650			
OPEB Contributions as a Percentage of Covered Payroll	0.05%	1.04%	2.03%			

(1) Although this schedule is intended to reflect information for ten years, information prior to 2013 is not available. An additional column will be added each year.

(2) 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.

(3) The OPEB plan includes the members from the traditional plan, the combined plan, and the member-directed plan. The member-directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

City of Waterville
Required Supplementary Information
Schedule of the City's Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$182,410	$172,754	$153,560	$156,010
Contributions in Relation to the Contractually Required Contribution	(182,410)	(172,754)	(153,560)	(156,010)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll (1)	$925,662	$877,699	$780,794	$798,325
Contributions as a Percentage of Covered Payroll	19.71%	19.68%	19.67%	19.54%
Net OPEB Liability				
Contractually Required Contribution	$4,628	$4,389	$3,904	$3,992
Contributions in Relation to the Contractually Required Contribution	(4,628)	(4,389)	(3,904)	(3,992)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%
Contributions as a Percentage of Covered Payroll	20.21%	20.18%	20.17%	20.04%

(1) The City's Covered payroll is the same for pension and OPEB

2014	2013	2012	2011	2010	2009
$144,909	$123,839	$92,891	$96,997	$92,560	$104,970
(144,909)	(123,839)	(92,891)	(96,997)	(92,560)	(104,970)
$0	$0	$0	$0	$0	$0
$749,103	$758,514	$707,045	$739,206	$705,020	$800,385
19.34%	16.33%	13.14%	13.12%	13.13%	13.11%
$3,746	$27,433	$47,725	$49,896	$47,589	$54,026
(3,746)	(27,433)	(47,725)	(49,896)	(47,589)	(54,026)
$0	$0	$0	$0	$0	$0
0.50%	3.62%	6.75%	6.75%	6.75%	6.75%
19.84%	19.95%	19.89%	19.87%	19.88%	19.86%

Changes in Assumptions - OPERS

Amounts reported for 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below.

	2017	2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013	3 percent simple	3 percent simple
Post-January 7, 2013	3 percent simple through 2018, then 2.15 percent simple	3 percent simple through 2018, then 2.8 percent simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	individual entry age	individual entry age

Amounts reported 2017 use mortality rates based on the RP-2014 Healthy Annuitant Mortality Table. For males, healthy annuitant mortality tables were used adjusted for mortality improvements back to the observation period base of 2006 and then established the base year as 2015. For females, healthy annuitant mortality tables were used adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality Table adjusted for mortality improvements back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected twenty years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males, 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Changes in Assumptions - OPF Pension

Amounts reported for 2018 incorporate changes in assumptions used by OPF in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below.

	2018	2017 and Prior
Valuation Date	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	entry age normal	entry age normal
Investment Rate of Return	8 percent	8.25 percent
	2018	2017 and Prior
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of .5 percent	Inflation rate of 3.25 percent plus productivity increase rate of .5 percent
Cost of Living Adjustments	3 percent simple; 2.2 percent simple for increases based on lesser of the increase in CPI and 3 percent	3 percent simple; 2.6 percent simple for increases based on lesser of the increase in CPI and 3 percent

Amounts reported for 2018 use valuation, mortality for nondisabled 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

Amounts reported for 2018 use valuation, 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

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

Changes in Assumptions - OPERS OPEB

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

Changes in Assumptions - OPF OPEB

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

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and other Matters Required by *Government Auditing Standards*

City of Waterville
Lucas County
25 North Second Street
Waterville, Ohio 43566

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waterville, Lucas 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 14, 2019, wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

BHM CPA Group

BHM CPA Group Inc.
Piketon, Ohio
June 14, 2019

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OHIO AUDITOR OF STATE
KEITH FABER

CITY OF WATERVILLE

LUCAS 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
JULY 23, 2019

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