CITY OF ST. MARYS
AUGLAIZE COUNTY, OHIO

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2017

Dave Yost • Auditor of State

Mayor and Members of City Council
City of St. Marys
101 East Spring Street
St. Marys, Ohio 45885

We have reviewed the *Independent Auditor's Report* of the City of St. Marys, Auglaize County, prepared by Julian & Grube, Inc., for the audit period January 1, 2017 through December 31, 2017. 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 St. Marys is responsible for compliance with these laws and regulations.

Dave Yost
Auditor of State

September 10, 2018

This page intentionally left blank.

CITY OF ST. MARYS
AUGLAIZE COUNTY, OHIO

TABLE OF CONTENTS

This page intentionally left blank.

Julian & Grube, Inc.
Serving Ohio Local Governments
333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

Independent Auditor's Report

City of St. Marys
Auglaize County
101 East Spring Street
St. Marys, Ohio 45885

To the Mayor and 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 St. Marys, Auglaize County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of St. Marys' 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 of St. Marys' 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 of St. Marys' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Marys, Auglaize County, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 21, 2018, on our consideration of the City of St. Marys' 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 of St. Marys' internal control over financial reporting and compliance.

Julian & Grube, Inc.

Julian & Grube, Inc.
June 21, 2018

The management's discussion and analysis of the City of St. Marys (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2017 are as follows:

- The total net position of the City decreased $1,102,470 from 2016 net position. Net position of governmental activities decreased $525,381 or 1.99% from 2016, and net position of business-type activities decreased $577,089 or 2.57% from 2016.

- General revenues accounted for $6,590,698 or 80.93% of total governmental activities revenue. Program specific revenues accounted for $1,552,912 or 19.07% of total governmental activities revenue.

- The City had $8,455,574 in expenses related to governmental activities; $1,552,912 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of $6,902,662 were partially offset by general revenues (primarily property taxes, income taxes, and unrestricted grants and entitlements) of $6,590,698. The governmental activities also had transfers out totaling $213,417.

- The City's only major governmental fund is the general fund. The general fund had revenues of $4,896,220 in 2017. The expenditures and other financing uses of the general fund totaled $4,569,098 in 2017. The general fund's increase in nonspendable inventory totaled $4,312 in 2017. The net increase in fund balance for the general fund was $327,122 or 10.87%.

- Net position for the business-type activities, which are made up of the water, sewer, electric, and refuse enterprise funds, decreased in 2017 by $577,585.

- In the general fund, the actual revenues and other financing sources were $17,269 more than the final budgeted amounts, and actual expenditures and other financing uses were $829,779 less than the final budgeted amounts. These variances are the result of the City's conservative budgeting. Budgeted revenues and other financing sources remained the same from the original to the final budget. Budgeted expenditures and other financing uses increased $54,293 from the original to the final budget.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

> *Governmental Activities* - Most of the City's programs and services are reported here including police, fire, street and highway maintenance, capital improvements, community and economic development, and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and State grants and other shared revenues.
>
> *Business-type Activities* - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, electric, and refuse operations are reported here.

The City's statement of net position and statement of activities can be found on pages 21-23 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

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

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's only major governmental fund is the general fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 24-28 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric, and refuse functions. All of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 30-37 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statement can be found on page 38 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 39-91 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability. The required supplementary information can be found on pages 94-100 of this report.

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and other assets	$ 12,768,991	$ 11,706,825	$ 12,264,481	$ 14,132,919	$ 25,033,472	$ 25,839,744
Capital assets, net	20,710,790	21,472,117	31,636,630	31,599,504	52,347,420	53,071,621
Total assets	33,479,781	33,178,942	43,901,111	45,732,423	77,380,892	78,911,365
Deferred outflows of resources						
Pension	1,799,845	1,959,836	1,513,816	1,175,969	3,313,661	3,135,805
Total deferred outflows of resources	1,799,845	1,959,836	1,513,816	1,175,969	3,313,661	3,135,805
Liabilities						
Other liabilities	543,245	196,194	6,412,367	7,462,993	6,955,612	7,659,187
Long-term liabilies:						
Due within one year	77,892	81,579	1,031,831	1,004,238	1,109,723	1,085,817
Net pension liability	7,519,453	7,285,252	3,862,170	3,061,575	11,381,623	10,346,827
Other amounts	336,290	331,545	12,069,426	12,766,430	12,405,716	13,097,975
Total liabilities	8,476,880	7,894,570	23,375,794	24,295,236	31,852,674	32,189,806
Deferred Inflows of Resources						
Property taxes	378,481	352,955	-	-	378,481	352,955
Pension	490,105	431,712	125,912	122,846	616,017	554,558
Total deferred inflows of resources	868,586	784,667	125,912	122,846	994,498	907,513
Net Position						
Net investment in capital assets	20,480,490	21,386,117	17,850,341	17,416,385	38,330,831	38,802,502
Restricted	5,410,415	5,171,154	-	-	5,410,415	5,171,154
Unrestricted (deficit)	43,255	(97,730)	4,062,880	5,073,925	4,106,135	4,976,195
Total net position	$ 25,934,160	$ 26,459,541	$ 21,913,221	$ 22,490,310	$ 47,847,381	$ 48,949,851

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

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2017, the City's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $47,847,381. At year end, net position was $25,934,160 and $21,913,221 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year end, capital assets represented 67.65% of total assets. Capital assets include land, construction in progress, easements, land improvements, buildings and improvements, equipment and furniture, vehicles, and infrastructure, and total $20,710,790 and $31,636,630 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's net investment in capital assets is reported net of related long-term obligations, it should be noted that the resources to repay debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, $5,410,415, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position is $43,255.

THIS SPACE INTENTIONALLY LEFT BLANK

The table below shows the changes in net position for 2017 and 2016.

Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program revenues:						
Charges for services and sales	$ 1,053,084	$ 1,080,076	$ 24,377,661	$ 22,982,076	$ 25,430,745	$ 24,062,152
Operating grants and contributions	388,619	392,686	-	30,450	388,619	423,136
Capital grants and contributions	111,209	110,773	-	414,671	111,209	525,444
Total program revenues	1,552,912	1,583,535	24,377,661	23,427,197	25,930,573	25,010,732
General revenues:						
Property taxes	1,208,128	1,187,006	-	-	1,208,128	1,187,006
Income taxes	4,706,095	4,758,608	-	-	4,706,095	4,758,608
Grants and entitlements not restricted	262,701	321,988	21,607	10,991	284,308	332,979
Investment earnings	163,971	114,274	26,107	19,369	190,078	133,643
Change in fair value of investments	(14,118)	(52,744)	-	-	(14,118)	(52,744)
Miscellaneous	263,921	180,264	372,955	343,358	636,876	523,622
Total general revenues	6,590,698	6,509,396	420,669	373,718	7,011,367	6,883,114
Total revenues	8,143,610	8,092,931	24,798,330	23,800,915	32,941,940	31,893,846
Expenses						
General government	1,392,112	1,188,870	-	-	1,392,112	1,188,870
Security of persons and property	4,126,825	3,945,300	-	-	4,126,825	3,945,300
Public health and welfare	63,010	35,524	-	-	63,010	35,524
Transportation	2,278,415	2,005,618	-	-	2,278,415	2,005,618
Community environment	72,958	68,496	-	-	72,958	68,496
Leisure time activity	502,624	456,709	-	-	502,624	456,709
Interest and fiscal charges	19,630	5,932	-	-	19,630	5,932
Water	-	-	2,020,990	1,816,756	2,020,990	1,816,756
Sewer	-	-	2,417,740	2,614,718	2,417,740	2,614,718
Electric	-	-	20,230,667	18,471,954	20,230,667	18,471,954
Refuse	-	-	919,439	796,049	919,439	796,049
Total expenses	8,455,574	7,706,449	25,588,836	23,699,477	34,044,410	31,405,926
Increase (decrease) in net position before transfers	(311,964)	386,482	(790,506)	101,438	(1,102,470)	487,920
Transfers	(213,417)	(207,943)	213,417	207,943	-	-
Change in net position	(525,381)	178,539	(577,089)	309,381	(1,102,470)	487,920
Net position at beginning of year	26,459,541	26,281,002	22,490,310	22,180,929	48,949,851	48,461,931
Net position at end of year	$ 25,934,160	$ 26,459,541	$ 21,913,221	$ 22,490,310	$ 47,847,381	$ 48,949,851

Governmental Activities

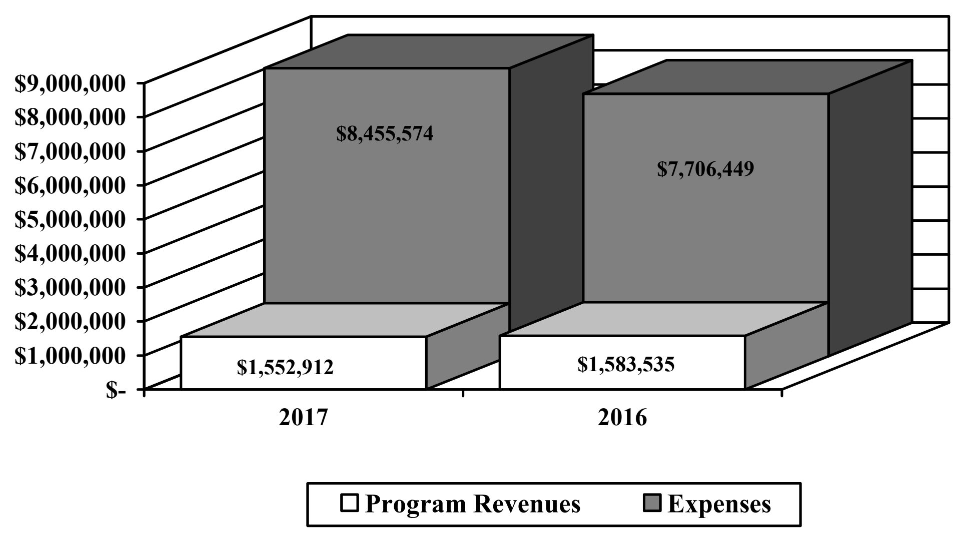
Overall, governmental activities net position decreased $525,381 in 2017. Security of persons and property, which primarily supports the operations of the police and fire departments, accounted for $4,126,825 of the total expenses of the City. These expenses were partially funded by $571,718 in direct charges to users of the services. Transportation expenses totaled $2,278,415 and were partially funded by $135,165 in direct charges to users of the services, $371,987 in operating grants and contributions, and $111,209 in capital grants and contributions.

The State and federal government contributed to the City a total of $388,619 in operating grants and contributions and $111,209 in capital grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, $371,987 subsidized transportation programs and $16,632 subsidized community environment expenses. Of the total capital grants and contributions, $111,209 subsidized transportation programs.

General revenues totaled $6,590,698 or 80.93% of total governmental activities revenues. These revenues primarily consist of property and income tax revenue of $5,914,223. Another primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up $262,701 or 3.99% of the governmental activities general revenues.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following graph and table show, for governmental activities, the total cost of services and the net cost of services for 2017 and 2016. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues. The graph below illustrates the City's dependence upon general revenues, as program revenues are not sufficient to cover total governmental expenses.

Governmental Activities - Program Revenues vs. Total Expenses

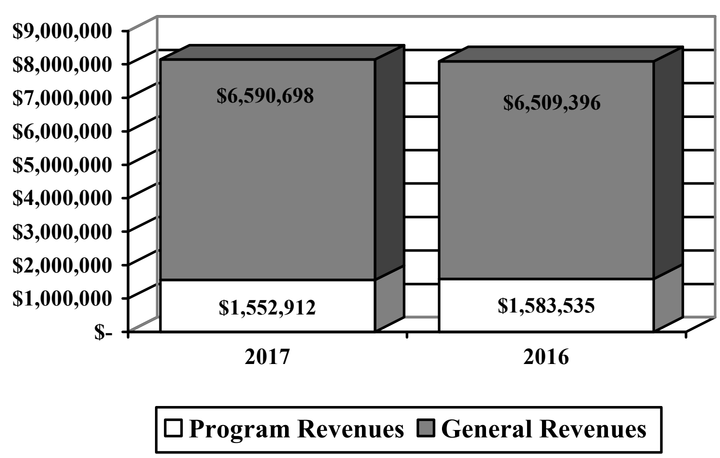


	Governmental Activities			
	Total Cost of Services 2017	Net Cost of Services 2017	Total Cost of Services 2016	Net Cost of Services 2016
Program expenses:				
General government	$ 1,392,112	$ 1,173,083	$ 1,188,870	$ 954,779
Security of persons and property	4,126,825	3,555,107	3,945,300	3,336,906
Public health and welfare	63,010	53,686	35,524	29,570
Transportation	2,278,415	1,660,054	2,005,618	1,424,643
Community environment	72,958	52,151	68,496	37,917
Leisure time activity	502,624	388,951	456,709	333,167
Interest and fiscal charges	19,630	19,630	5,932	5,932
Total expenses	$ 8,455,574	$ 6,902,662	$ 7,706,449	$ 6,122,914

The dependence upon general revenues for governmental activities is apparent, with 81.63% of expenses supported through taxes and other general revenues.

The graph below illustrates the City's program revenues versus general revenues for 2017 and 2016.

Governmental Activities - General and Program Revenues

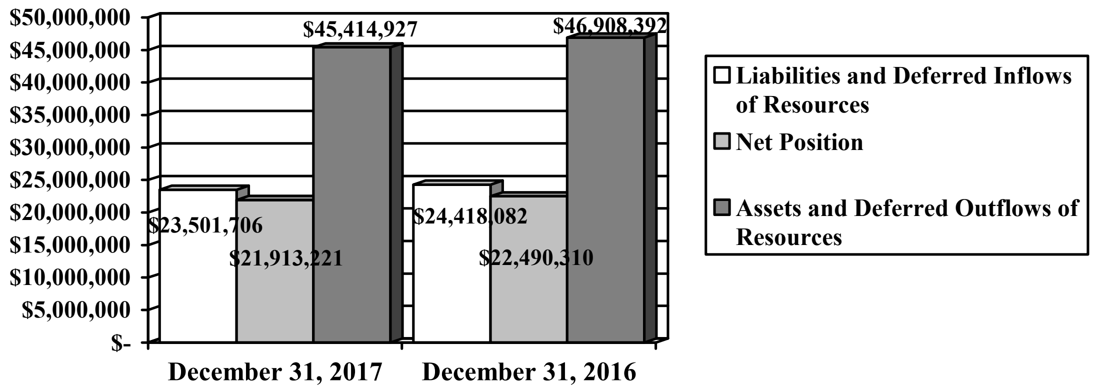


Business-type Activities

Business-type activities include the water, sewer, electric, and refuse enterprise funds. These programs had program revenues of $24,377,661, general revenues of $420,669, transfers in of $213,417, and expenses of $25,588,836 for 2017. Overall, the operating activities of all the City's enterprise funds remained comparable to the prior year.

The graph below illustrates the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of the City's business-type activities at December 31, 2017 and December 31, 2016.

Net Position of Business-type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

The City's governmental funds reported a combined fund balance of $10,734,926, which is $585,988 more than last year's total of $10,148,938. The table below indicates the fund balances and the total change in fund balances as of December 31, 2017 and December 31, 2016 for all major and nonmajor governmental funds.

	Fund Balances December 31, 2017	Fund Balances December 31, 2016	Change
Major funds:			
General	$ 3,339,558	$ 3,008,124	$ 331,434
Nonmajor governmental funds	7,395,368	7,140,814	254,554
Total	$ 10,734,926	$ 10,148,938	$ 585,988

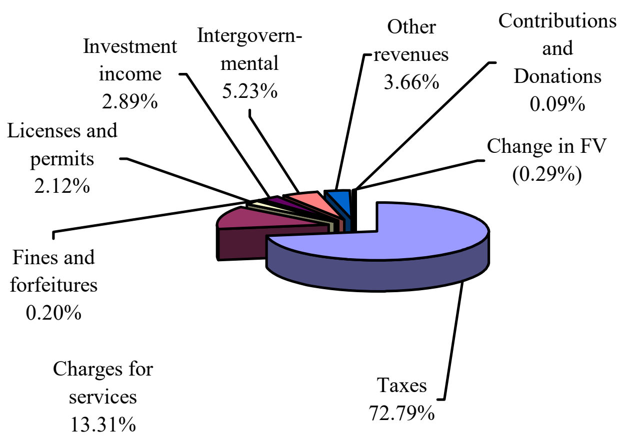
General Fund

The City's general fund balance increased $327,122. The table that follows assists in illustrating the revenues of the general fund for 2017 and 2016.

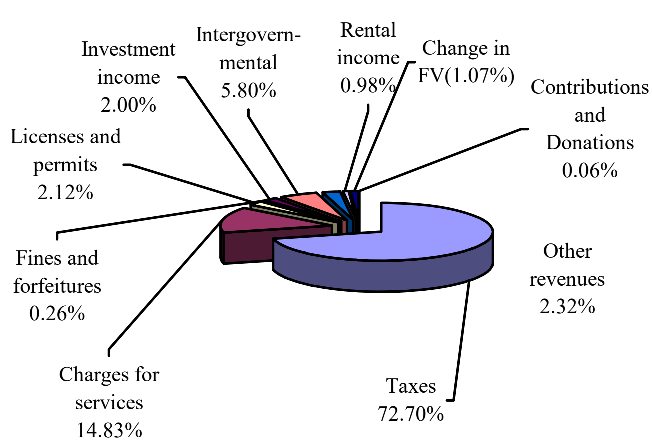
	2017 Amount	2016 Amount	Percentage Change
Revenues			
Taxes	$ 3,564,170	$ 3,568,709	(0.13) %
Charges for services	651,637	727,829	(10.47) %
Licenses and permits	104,033	104,310	(0.27) %
Fines and forfeitures	9,793	12,730	(23.07) %
Intergovernmental	255,823	284,822	(10.18) %
Investment income	141,293	98,370	43.63 %
Change in fair value of investments	(14,118)	(52,744)	73.23 %
Rental income	-	47,883	(100.00) %
Contributions and donations	4,362	3,221	35.42 %
Other	179,227	113,669	57.67 %
Total	$ 4,896,220	$ 4,908,799	(0.26) %

Overall revenues of the general fund decreased $12,579 or 0.26%. Charges for services decreased $76,192 or 10.47% mainly due to a decrease in ambulance revenues received. Intergovernmental revenue decreased $28,999 due mainly to receiving less revenues from the State during 2017. Investment income increased $42,923 due to an increase in the amount of accounts the City invested funds in during 2017. The general fund reported a decrease in fair value of investments during 2017 of $14,118 due to the decreasing value of federal agency securities within the City's investment portfolio. Other revenues increased $65,558 or 57.67%, which is primarily due to refunds and reimbursements received during the year.

Revenues - 2017



Revenues - 2016

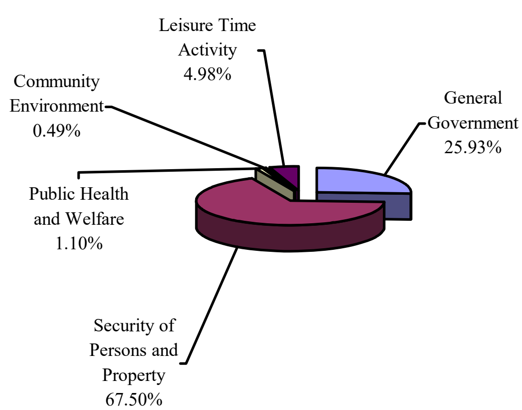


The table that follows assists in illustrating the expenditures of the general fund for 2017 and 2016.

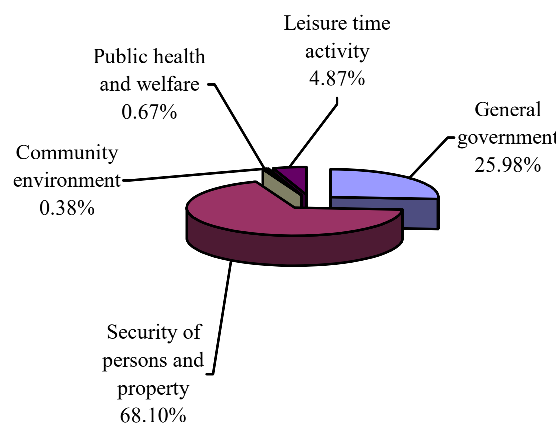
	2017 Amount	2016 Amount	Percentage Change
Expenditures			
General government	$ 1,060,809	$ 1,048,513	1.17 %
Security of persons and property	2,760,895	2,749,169	0.43 %
Public health and welfare	45,159	26,955	67.53 %
Community environment	20,219	15,198	33.04 %
Leisure time activity	203,599	196,590	3.57 %
Total	$ 4,090,681	$ 4,036,425	1.34 %

Overall expenditures of the general fund increased $54,256 or 1.34%. Public health and welfare expenditures increased $18,204 or 67.53% primarily due to increased costs attributable to contract services within the health department during 2017. All other general fund expenditures remained comparable to the prior year.

Expenditures - 2017



Expenditures - 2016



Budgeting Highlights - General Fund

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

In the general fund, the actual revenues and other financing sources were $17,269 more than the final budgeted amounts, and actual expenditures and other financing uses were $829,779 less than the final budgeted amounts. These variances are the result of the City's conservative budgeting. Budgeted revenues and other financing sources remained the same from the original to the final budget. Budgeted expenditures and other financing uses increased $54,293 from the original to the final budget.

Proprietary Funds

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

Water Fund

The water fund had operating revenues of $1,898,845 in 2017. The operating expenses of the water fund totaled $2,012,221 in 2017. The water fund had nonoperating revenues and expenses of $539 and $8,852, respectively, in 2017. The decrease in net position for the water fund was $121,689 or 2.48%.

Sewer Fund

The sewer fund had operating revenues of $1,991,292 in 2017. The operating expenses of the sewer fund totaled $2,172,620 in 2017. The sewer fund had nonoperating revenues of $539 and nonoperating expenses of $245,205 in 2017. The decrease in net position for the sewer fund was $425,994 or 6.18%.

Electric Fund

The electric fund had operating revenues of $19,910,161 in 2017. The operating expenses of the electric fund totaled $20,012,240 in 2017. The electric fund had nonoperating revenues of $44,905 and nonoperating expenses of $218,544 in 2017. The electric fund also received transfers in of $213,417. The decrease in net position for the electric fund was $62,301 or 0.65%.

Refuse Fund

The refuse fund had operating revenues of $950,318 in 2017. The operating expenses of the refuse fund totaled $919,650 in 2017. The refuse fund had nonoperating revenues of $1,731 in 2017. The increase in net position for the refuse fund was $32,399 or 2.84%.

Capital Assets and Debt Administration

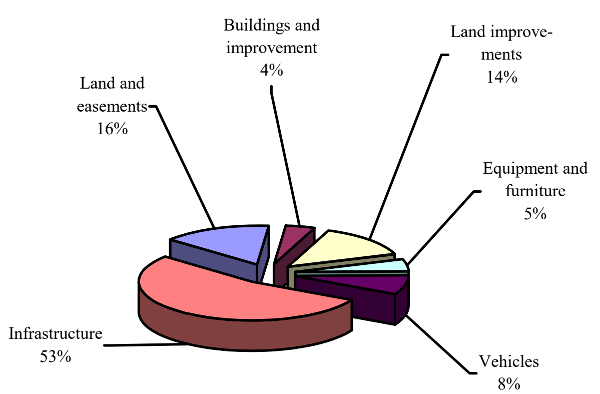
Capital Assets

At the end of 2017, the City had $52,347,420 (net of accumulated depreciation) invested in land, construction in progress, easements, land improvements, buildings and improvements, equipment and furniture, vehicles, and infrastructure. Of this total, $20,710,790 was reported in governmental activities and $31,636,630 was reported in business-type activities. The following table shows December 31, 2017 balances compared to December 31, 2016.

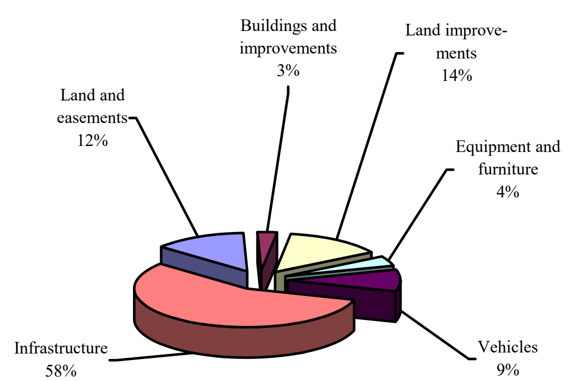
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land and easements	$ 3,211,476	$ 2,886,604	$ 1,221,910	$ 1,221,910	$ 4,433,386	$ 4,108,514
Construction in progress	-	-	135,094	5,468,463	135,094	5,468,463
Land improvements	2,916,862	3,039,690	3,022,427	3,277,516	5,939,289	6,317,206
Buildings and improvements	849,557	588,001	8,575,851	9,071,852	9,425,408	9,659,853
Equipment and furniture	1,002,125	899,681	2,952,805	1,690,597	3,954,930	2,590,278
Vehicles	1,684,806	1,940,885	1,211,944	1,130,122	2,896,750	3,071,007
Infrastructure	11,045,964	12,117,256	14,516,599	9,739,044	25,562,563	21,856,300
Total	$ 20,710,790	$ 21,472,117	$ 31,636,630	$ 31,599,504	$ 52,347,420	$ 53,071,621

The following graphs show the breakdown of governmental activities capital assets by category at December 31, 2017 and December 31, 2016.

Capital Assets - Governmental Activities
2017



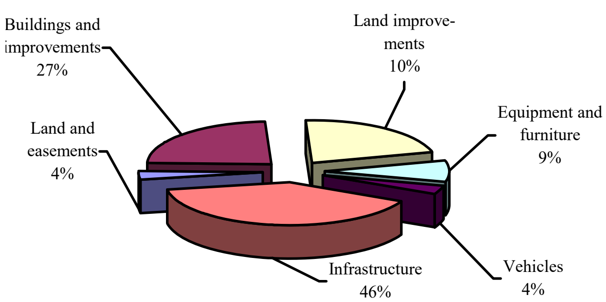
Capital Assets - Governmental Activities
2016



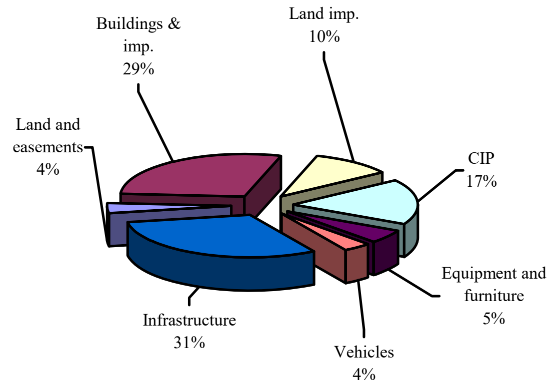
The City's largest governmental activities capital asset category is infrastructure, which includes roads, bridges, culverts, sidewalks, curbs, annexed roadways, street lighting, and traffic signals. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 53.33% of the City's total governmental activities capital assets.

The following graphs show the breakdown of business-type activities capital assets by category at December 31, 2017 and December 31, 2017.

Capital Assets - Business-type Activities 2017



Capital Assets - Business-type Activities 2016



The City's largest business-type activities capital asset categories are buildings and improvements and infrastructure. The buildings and improvements asset category represents approximately 27% of the City's total business-type activities capital assets. Infrastructure items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 46.08% of the City's total business-type activities capital assets. Additional information on the City's capital assets can be found in Note 11.

Debt Administration

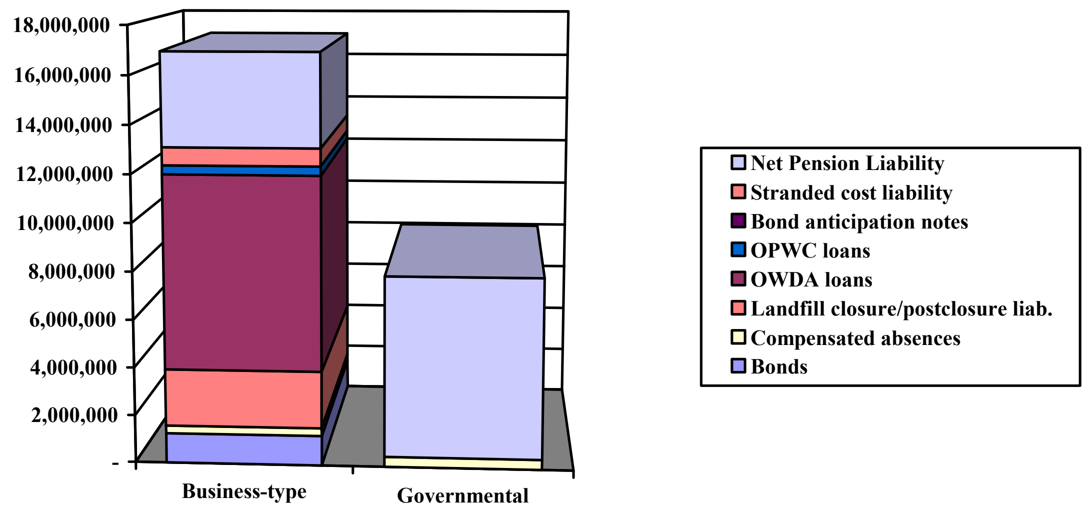
The City had the following long-term obligations outstanding at December 31, 2017 and December 31, 2016.

	Governmental Activities	
	2017	2016
Net pension liability	$ 7,519,453	$ 7,285,252
Compensated absences	414,182	413,124
Total long-term obligations	$ 7,933,635	$ 7,698,376

	Business-type Activities	
General obligation bonds	$ 1,246,991	$ 1,463,554
Stranded cost liability	722,308	1,004,925
OWDA loans	8,070,020	8,086,226
OPWC loans	369,278	392,482
Landfill closure/postclosure liability	2,361,497	2,476,891
Net pension liability	3,862,170	3,061,575
Compensated absences	331,163	346,590
Total long-term obligations	$ 16,963,427	$ 16,832,243

A comparison of the long-term obligations by category is depicted in the graph below.

Long-term Obligations



Additional information on the City's debt administration can be found in Note 14.

Economic Conditions and Outlook

The industrial base in the City has been greatly diversified over the past 30 years primarily due to the success of several Japanese companies that started production in the City during the late 1980s.

Setex was the first Japanese company to call the City its home when it started the production of automobile seats for Honda in 1988. For almost 30 years, Setex has experienced significant growth with employment levels increasing from the initial 65 employees to the current 520+ employees. Setex also increased production capacity significantly by first doubling the size of their initial plant and later constructing a new weld facility for the production of seat frames for a variety of automobiles. Setex currently produces about 7,000 frames per day. Setex continues to manage multiple lines for Honda. The company is adding employees for summer production and is currently evaluating future expansion opportunities.

AAP St. Marys Corporation, a division of Hitachi Metals America Ltd., established their aluminum wheel casting plant in the City in 1989. AAP St. Marys has also experienced tremendous growth with employment levels increasing from the initial 65 employees to the current 600 employees. With product demand back to pre-recession levels, AAP St. Marys is experiencing continued growth. The company is currently evaluating plans to expand. AAP St. Marys is a key to the stability of the industrial base in the City.

Veyance Technologies, Inc., formerly the Goodyear Tire & Rubber Company, was acquired by the German company Continental AG in order to expand its share of the industrial rubber track market. The plant is now a part of the company's ContiTech industrial rubber track division. The primary product of the plant for many years has been rubber tracks and wheels for agricultural equipment. The company also makes industrial conveyor belts and rubber tank treads for use on U.S. Army battle tanks. The local plant currently employs approximately 400 and is still exploring the potential for major capital investments in machinery and equipment over the next few years.

The City has several other manufacturing facilities that add stability to the local economy. Parker Hannifin Corporation, a manufacturer of hydraulic cylinder components, employs approximately 100 employees in St. Marys. The company constructed its 130,000± square-foot St. Marys facility in 2000 and has additional acreage on site for new growth.

Omni Manufacturing, Inc., a metal tooling and stamping plant, has enjoyed steady growth with an employment level near 140. The company completed construction of an addition to its existing plant in 2015 and is making significant investments in machinery and equipment. Omni continues to project job growth and is accepting applications for new hires.

Murotech Ohio's (MTO) employment has remained steady at 130 employees. The company has expanded its operations since locating in St. Marys and continues to plan for future investment in equipment. Murotech Ohio recently completed construction of an additional 15,000 square feet of space at its current facility.

Cargill, formerly Pro-Pet LLC, a manufacturer of premium pet food, operates a food-grade facility and is continually acquiring new clients. As a result, the company constructed a small addition in 2015 and continues to invest in new equipment to meet customer needs. There also are plans for potential future development.

The St. Marys Foundry is in the midst of an expansion project that will no doubt allow it to continue to prosper. The facility has called St. Marys home for decades and has plans to continue to grow.

The Joint Township District Memorial Hospital (JTDMH) remains the top non-manufacturing sector employer with approximately 750 employees. The hospital is considered a top health care facility in the United States and continues to improve services and upgrade the facility. JTDMH has invested significantly in the building during the past ten years including completion of a new Women's Center, Laboratory, Wound Care Center with two hyperbaric chambers, Neurology Center, and a Sleep Center. In 2015, JTDMH acquired additional land to accommodate future growth and is currently planning an expansion of patient rooms. The addition and renovation of 24 new ambulatory surgery rooms was completed in 2015, and the hospital is currently upgrading its operating rooms and surrounding areas, including significant investment in new, state-of-the-art equipment.

All of the industries in the city continue to remain in need of workers and are hiring. This indicates strong growth and expansion.

Retail growth was very strong in St. Marys in the recent past with construction of the Shoppes at St. Marys commercial development, which includes Kroger and Kohl's as anchor tenants and three developed commercial outlots.

The Community Improvement Corporation of St. Marys (CIC) was very active in the downtown. The CIC continues to improve and lease other commercial space in the downtown area. The CIC acquired two addition buildings in the downtown district and sold them for development. The CIC sees itself as the real estate arm for the city.

The diversity of the manufacturing, retail, and service sectors bode well for the economy of the City. If there is an occasional downturn in one individual industry, the City's diverse employment opportunities should be strong enough to withstand any economic challenges that occur.

The downtown continues to be a point of focus for the city. Through the downtown façade improvement program, the city offers a matching grant program to property owners who want to fix up their downtown properties. This program has been met with great success as the downtown has improved.

The City also continues to market several greenfield sites to potential end users. The City has a 32-acre site along McKinley Road that is in close proximity to U.S. 33. This site would be excellent for a small to medium sized operation. The City also has 19.5 acres of land along County Road 33A that is being marketed.

For the Future

The City is a beautiful community located in west-central Ohio, midway between Cincinnati and Toledo, and about 20 miles east of the Indiana state line. Only 10 miles to the east is Interstate 75, one of the nation's busiest north-south highways. The City offers a lovely rural setting right in the heart of industrial America. Several major metropolitan areas including Columbus, Dayton, Toledo, and Ft. Wayne are within easy commuting distance. Almost two-thirds of the nation's population lives within a 500 mile radius, making the City a natural location to conduct business.

The City has a diverse and prosperous business base and a population that understands the value of hard work. The fertile farmland and expanding tourism industry provide additional economic factors that add significantly to the City's economic prosperity.

The rich history of the City dates back to the early 1800's when "canal fever" swept over Ohio. It provided the City with the opportunity to become part of a canal system highway that would run from the Miami River to Lake Erie. After completion of the canal, Grand Lake St. Marys was completed in 1845 to help maintain the water levels in the canal. Grand Lake St. Marys is now a tourist area in Ohio, providing recreational opportunities such as boating and fishing for visitors and residents alike.

The City's future promises to be even brighter than its historic past. The City is a community of approximately 8,300 residents. The people embrace a lifestyle based on strong family values. Caring for and respecting neighbors is a way of life. The police, fire, and EMS forces offer hometown security only experienced in a rural setting such as the City's. Utility services offered by the City are some of the most reliable and economical in the entire region.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Douglas Riesen, City Auditor, City of St. Marys, 101 E. Spring Street, St. Marys, OH 45885.

CITY OF ST. MARYS
AUGLAIZE COUNTY

STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments	$ 9,588,035	$ 8,438,376	$ 18,026,411
Receivables (net of allowance for uncollectibles):			
Income taxes	819,185	-	819,185
Real and other taxes	391,406	67,549	458,955
Accounts	129,155	2,368,723	2,497,878
Special assessments	303,249	4,500	307,749
Loans	789,167	-	789,167
Notes	214,953	-	214,953
Accrued interest	23,815	-	23,815
Internal balance	(64,548)	64,548	-
Due from other governments	305,490	57,779	363,269
Prepayments	164,614	143,263	307,877
Materials and supplies inventory	90,036	420,982	511,018
Investment in joint venture	-	299,722	299,722
Net pension asset	4,554	7,566	12,120
Restricted assets:			
Refundable cash deposits	-	391,473	391,473
Cash with fiscal agent	9,880	-	9,880
Capital assets:			
Non-depreciable capital assets	3,211,476	1,357,004	4,568,480
Depreciable capital assets, net	17,499,314	30,279,626	47,778,940
Total capital assets, net	20,710,790	31,636,630	52,347,420
Total assets	33,479,781	43,901,111	77,380,892
Deferred outflows of resources:			
Pension - OPERS	911,126	1,513,816	2,424,942
Pension - OP&F	888,719	-	888,719
Total deferred outflows of resources	1,799,845	1,513,816	3,313,661
Liabilities:			
Accounts payable	174,458	1,784,974	1,959,432
Contracts payable	230,300	-	230,300
Accrued wages and benefits	62,254	45,307	107,561
Due to other governments	75,157	40,583	115,740
Judgments payable	1,000	-	1,000
Accrued interest payable	76	50,030	50,106
Notes payable	-	4,100,000	4,100,000
Payable from restricted assets:			
Refundable cash deposits	-	391,473	391,473
Long-term liabilities:			
Due within one year	77,892	1,031,831	1,109,723
Net pension liability	7,519,453	3,862,170	11,381,623
Due in more than one year	336,290	12,069,426	12,405,716
Total liabilities	8,476,880	23,375,794	31,852,674
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	378,481	-	378,481
Pension - OPERS	51,062	125,912	176,974
Pension - OP&F	439,043	-	439,043
Total deferred inflows of resources	868,586	125,912	994,498
Net position:			
Net investment in capital assets	20,480,490	17,850,341	38,330,831
Restricted for:			
Capital projects	1,968,074	-	1,968,074
Debt service	158,625	-	158,625
Transportation projects	1,065,215	-	1,065,215
Community improvements	2,184,856	-	2,184,856
Other purposes	33,645	-	33,645
Unrestricted	43,255	4,062,880	4,106,135
Total net position	$ 25,934,160	$ 21,913,221	$ 47,847,381

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ST. MARYS
AUGLAIZE COUNTY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

		Program Revenues		
	Expenses	**Charges for Services and Sales**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Governmental activities:				
General government	$ 1,392,112	$ 219,029	$ -	$ -
Security of persons and property	4,126,825	571,718	-	-
Public health and welfare	63,010	9,324	-	-
Transportation	2,278,415	135,165	371,987	111,209
Community environment	72,958	4,175	16,632	-
Leisure time activity	502,624	113,673	-	-
Interest and fiscal charges	19,630	-	-	-
Total governmental activities	8,455,574	1,053,084	388,619	111,209
Business-type activities:				
Water	2,020,990	1,863,661	-	-
Sewer	2,417,740	1,954,983	-	-
Electric	20,230,667	19,649,268	-	-
Refuse	919,439	909,749	-	-
Total business-type activities	25,588,836	24,377,661	-	-
Total primary government	$ 34,044,410	$ 25,430,745	$ 388,619	$ 111,209

General revenues:
Property taxes levied for:
General purposes
Special purposes
Income taxes levied for:
General purposes
Special purposes
Capital projects
Grants and entitlements not restricted to specific programs
Investment earnings
Decrease in fair value of investments
Miscellaneous

Total general revenues

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year

Net position at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (1,173,083)	$ -	$ (1,173,083)
(3,555,107)	-	(3,555,107)
(53,686)	-	(53,686)
(1,660,054)	-	(1,660,054)
(52,151)	-	(52,151)
(388,951)	-	(388,951)
(19,630)	-	(19,630)
(6,902,662)	-	(6,902,662)
-	(157,329)	(157,329)
-	(462,757)	(462,757)
-	(581,399)	(581,399)
-	(9,690)	(9,690)
-	(1,211,175)	(1,211,175)
(6,902,662)	(1,211,175)	(8,113,837)
1,141,218	-	1,141,218
66,910	-	66,910
2,401,348	-	2,401,348
526,991	-	526,991
1,777,756	-	1,777,756
262,701	21,607	284,308
163,971	26,107	190,078
(14,118)	-	(14,118)
263,921	372,955	636,876
6,590,698	420,669	7,011,367
(213,417)	213,417	-
6,377,281	634,086	7,011,367
(525,381)	(577,089)	(1,102,470)
26,459,541	22,490,310	48,949,851
$ 25,934,160	$ 21,913,221	$ 47,847,381

CITY OF ST. MARYS
AUGLAIZE COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	General	Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Equity in pooled cash and investments	$ 3,020,913	$ 6,546,273	$ 9,567,186
Receivables:			
Income taxes	393,209	425,976	819,185
Real and other taxes	310,061	81,345	391,406
Accounts	123,783	5,372	129,155
Special assessments	-	303,249	303,249
Loans	-	789,167	789,167
Notes	-	214,953	214,953
Accrued interest	23,815	-	23,815
Due from other funds	65,356	-	65,356
Due from other governments	121,958	183,499	305,457
Prepayments	131,700	31,278	162,978
Materials and supplies inventory	44,064	29,307	73,371
Restricted assets:			
Cash with fiscal agent	-	9,880	9,880
Total assets	$ 4,234,859	$ 8,620,299	$ 12,855,158
Liabilities:			
Accounts payable	$ 118,659	$ 54,815	$ 173,474
Contracts payable	-	230,300	230,300
Accrued wages and benefits payable	48,301	12,935	61,236
Interfund loans payable	-	132,790	132,790
Due to other governments	19,321	50,189	69,510
Accrued interest payable	-	76	76
Judgments payable	1,000	-	1,000
Total liabilities	187,281	481,105	668,386
Deferred inflows of resources:			
Property taxes levied for the next fiscal year	299,740	78,741	378,481
Income tax revenue not available	190,276	206,132	396,408
Delinquent property tax revenue not available	2,538	560	3,098
Accrued interest not available	13,958	-	13,958
Special assessments revenue not available	-	303,249	303,249
Intergovernmental revenue not available	97,545	155,144	252,689
Licenses and permits revenue not available	24,906	-	24,906
Ambulance revenue not available	79,057	-	79,057
Total deferred inflows of resources	708,020	743,826	1,451,846
Fund balances:			
Nonspendable	180,036	60,585	240,621
Restricted	-	5,477,317	5,477,317
Committed	-	1,962,870	1,962,870
Assigned	172,152	-	172,152
Unassigned (deficit)	2,987,370	(105,404)	2,881,966
Total fund balances	3,339,558	7,395,368	10,734,926
Total liabilities, deferred inflows of resources and fund balances	$ 4,234,859	$ 8,620,299	$ 12,855,158

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ST. MARYS
AUGLAIZE COUNTY

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

Total governmental fund balances		$ 10,734,926
Amounts reported for governmental activities on the statement of net position are different because:		
Capital assets used in governmental activities (excluding internal service fund capital assets) are not financial resources and therefore are not reported in the funds.		20,697,290
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		
Income taxes receivable	$ 396,408	
Real and other taxes receivable	3,098	
Accounts receivable	103,963	
Special assessments receivable	303,249	
Accrued interest receivable	13,958	
Due from other governments	252,689	
Total		1,073,365
The internal service fund is used by management to charge the costs of the maintenance garage to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. The net position of the internal service fund, including an internal balance of $2,886 and ($14,819) for total net position of the internal service fund, is:		(11,933)
The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Net pension asset	4,347	
Deferred outflows of resources	1,752,763	
Deferred inflows of resources	(488,627)	
Net pension liability	(7,413,789)	
Total		(6,145,306)
Long-term liabilities (compensated absences) are not due and payable in the current period and therefore are not reported in the funds.		(414,182)
Net position of governmental activities		$ 25,934,160

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ST. MARYS
AUGLAIZE COUNTY

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

	General	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Income taxes	$ 2,421,351	$ 2,326,417	$ 4,747,768
Real and other taxes	1,142,819	67,266	1,210,085
Charges for services	651,637	71,634	723,271
Licenses and permits	104,033	-	104,033
Fines and forfeitures	9,793	1,657	11,450
Intergovernmental	255,823	507,377	763,200
Special assessments	-	64,325	64,325
Investment income	141,293	38,497	179,790
Decrease in fair value of investments	(14,118)	-	(14,118)
Contributions and donations	4,362	-	4,362
Other	179,227	80,332	259,559
Total revenues	4,896,220	3,157,505	8,053,725
Expenditures:			
Current:			
General government	1,060,809	-	1,060,809
Security of persons and property	2,760,895	393,902	3,154,797
Public health and welfare	45,159	-	45,159
Transportation	-	858,267	858,267
Community environment	20,219	-	20,219
Leisure time activity	203,599	93,378	296,977
Capital outlay	-	1,807,773	1,807,773
Debt service:			
Interest and fiscal charges	-	19,630	19,630
Total expenditures	4,090,681	3,172,950	7,263,631
Excess (deficiency) of revenues over (under) expenditures	805,539	(15,445)	790,094
Other financing sources (uses):			
Transfers in	-	356,169	356,169
Transfers out	(478,417)	(91,169)	(569,586)
Total other financing sources (uses)	(478,417)	265,000	(213,417)
Net change in fund balances	327,122	249,555	576,677
Fund balances at beginning of year	3,008,124	7,140,814	10,148,938
Change in nonspendable inventory	4,312	4,999	9,311
Fund balances at end of year	$ 3,339,558	$ 7,395,368	$ 10,734,926

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ST. MARYS
AUGLAIZE COUNTY

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

Net change in fund balances - total governmental funds			$	576,677
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. Both amounts are exclusive of internal service fund activity.				
Capital asset additions	$	1,022,809		
Current year depreciation		(1,775,913)		
Total				(753,104)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins and donations) is to decrease net position.				(5,223)
Governmental funds report expenditures for inventory when purchased. However in the statement of activities, they are reported as an expense when consumed.				9,311
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.				
Income taxes		(41,673)		
Real and other taxes		(1,957)		
Licenses and permits		108		
Charges for services		79,057		
Special assessments		70,840		
Intergovernmental		(18,730)		
Investment income		2,240		
Total				89,885
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.				557,762
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.				(993,356)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.				(1,058)
The internal service fund used by management to charge the costs of the maintenance garage to individual funds is not reported in the statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, including internal balance activity of $(496), is allocated among the governmental activities.				(6,275)
Change in net position of governmental activities			$	(525,381)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF ST. MARYS
AUGLAIZE COUNTY

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

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
Income taxes	$ 2,403,871	$ 2,403,871	$ 2,412,306	$ 8,435
Real and other taxes	1,139,983	1,139,983	1,143,984	4,001
Charges for services	673,791	673,791	676,156	2,365
Licenses, permits and fees	103,669	103,669	104,033	364
Fines and forfeitures	10,400	10,400	10,437	37
Intergovernmental	279,668	279,668	280,650	982
Investment income	131,453	131,453	131,914	461
Contributions and donations	4,347	4,347	4,362	15
Other	173,219	173,219	173,827	608
Total revenues	4,920,401	4,920,401	4,937,669	17,268
Expenditures:				
Current:				
General government	1,376,371	1,397,538	984,631	412,907
Security of persons and property	2,969,790	2,994,991	2,791,836	203,155
Public health and welfare	37,549	45,474	45,474	-
Community environment	29,000	29,000	22,219	6,781
Leisure time activity	249,631	249,631	212,478	37,153
Total expenditures	4,662,341	4,716,634	4,056,638	659,996
Excess of revenues over expenditures	258,060	203,767	881,031	677,264
Other financing sources (uses):				
Sale of capital assets	202	202	203	1
Transfers out	(648,200)	(648,200)	(478,417)	169,783
Total other financing sources (uses)	(647,998)	(647,998)	(478,214)	169,784
Net change in fund balance	(389,938)	(444,231)	402,817	847,048
Fund balance at beginning of year	2,460,857	2,460,857	2,460,857	-
Prior year encumbrances appropriated	109,418	109,418	109,418	-
Fund balance at end of year	$ 2,180,337	$ 2,126,044	$ 2,973,092	$ 847,048

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF ST. MARYS
AUGLAIZE COUNTY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2017

	Business-type Activities - Enterprise Funds			
	Water	**Sewer**	**Electric**	**Refuse**
Assets:				
Current assets:				
Equity in pooled cash and investments	$ 1,084,526	$ 749,010	$ 4,170,822	$ 2,434,018
Receivables:				
Real and other taxes	-	-	67,549	-
Accounts	175,546	176,887	1,936,809	79,481
Special assessments	4,122	378	-	-
Interfund loans	-	-	132,790	-
Due from other governments	56,038	246	452	1,043
Prepayments	34,695	42,562	48,584	17,422
Materials and supplies inventory	183,140	35,361	187,074	15,407
Net pension asset	1,900	1,617	3,032	1,017
Total current assets	1,539,967	1,006,061	6,547,112	2,548,388
Noncurrent assets:				
Restricted assets:				
Refundable cash deposits	-	-	391,473	-
Investment in joint venture	-	-	299,722	-
Capital assets:				
Non-depreciable capital assets	367,556	171,940	513,813	303,695
Depreciable capital assets, net	4,790,088	14,175,071	10,204,561	1,109,906
Total capital assets, net	5,157,644	14,347,011	10,718,374	1,413,601
Total noncurrent assets	5,157,644	14,347,011	11,409,569	1,413,601
Total assets	6,697,611	15,353,072	17,956,681	3,961,989
Deferred outflows of resources:				
Pension - OPERS	377,593	331,441	602,618	202,164
Total deferred outflows of resources	377,593	331,441	602,618	202,164
Liabilities:				
Current liabilities:				
Accounts payable	146,021	33,543	1,582,580	22,830
Accrued wages and benefits	15,260	8,850	14,812	6,385
Compensated absences payable	21,684	8,919	20,033	13,265
Due to other funds	-	-	65,356	-
Due to other governments	9,955	7,915	17,588	5,125
Accrued interest payable	664	664	48,702	-
Current portion of general obligation bonds payable	47,500	47,500	132,653	-
Current portion of OWDA loans payable	-	517,073	-	-
Current portion of OPWC loans payable	-	23,204	-	-
Current portion of AMP-Ohio stranded cost payable	-	-	200,000	-
Notes payable	-	-	4,100,000	-
Payable from restricted assets:				
Refundable cash deposits	-	-	391,473	-
Total current liabilities	241,084	647,668	6,573,197	47,605
Long-term liabilities:				
Compensated absences payable	92,693	38,616	86,826	49,127
General obligation bonds payable	367,500	367,500	284,338	-
OWDA loans payable	567,734	6,985,213	-	-
OPWC loans payable	-	346,074	-	-
AMP-Ohio stranded cost payable	-	-	522,308	-
Landfill closure/postclosure liability	-	-	-	2,361,497
Net pension liability	969,835	825,277	1,547,806	519,252
Total long-term liabilities	1,997,762	8,562,680	2,441,278	2,929,876
Total liabilities	2,238,846	9,210,348	9,014,475	2,977,481
Deferred inflows of resources:				
Pension - OPERS	55,667	12,349	43,361	14,535
Total deferred inflows of resources	55,667	12,349	43,361	14,535
Net position:				
Net investment in capital assets	4,174,910	6,060,447	6,201,383	1,413,601
Unrestricted (deficit)	605,781	401,369	3,300,080	(241,464)
Total net position	$ 4,780,691	$ 6,461,816	$ 9,501,463	$ 1,172,137

Adjustment to reflect the consolidation of the internal service fund's activities related to enterprise funds

Net position of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Total	Governmental Activities - Internal Service Fund
$ 8,438,376	$ 20,849
67,549	-
2,368,723	-
4,500	-
132,790	-
57,779	33
143,263	1,636
420,982	16,665
7,566	207
11,641,528	39,390
391,473	-
299,722	-
1,357,004	-
30,279,626	13,500
31,636,630	13,500
32,327,825	13,500
43,969,353	52,890
1,513,816	47,082
1,513,816	47,082
1,784,974	984
45,307	1,018
63,901	-
65,356	-
40,583	5,647
50,030	-
227,653	-
517,073	-
23,204	-
200,000	-
4,100,000	-
391,473	-
7,509,554	7,649
267,262	-
1,019,338	-
7,552,947	-
346,074	-
522,308	-
2,361,497	-
3,862,170	105,664
15,931,596	105,664
23,441,150	113,313
125,912	1,478
125,912	1,478
17,850,341	13,500
4,065,766	(28,319)
21,916,107	$ (14,819)
(2,886)	
$ 21,913,221	

CITY OF ST. MARYS
AUGLAIZE COUNTY

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

	Business-type Activities - Enterprise Funds			
	Water	**Sewer**	**Electric**	**Refuse**
Operating revenues:				
Charges for services	$ 1,852,827	$ 1,907,005	$ 19,649,268	$ 909,749
Tap-in fees	10,834	47,978	-	-
Rental income	-	-	23,086	-
Other	35,184	36,309	237,807	40,569
Total operating revenues	1,898,845	1,991,292	19,910,161	950,318
Operating expenses:				
Personal services	948,945	811,223	1,547,187	507,869
Contractual services	785,575	563,584	223,852	118,667
Materials and supplies	14,153	29,893	17,446,097	158,882
Depreciation	263,548	767,814	773,497	134,206
Other	-	106	21,607	26
Total operating expenses	2,012,221	2,172,620	20,012,240	919,650
Operating income (loss)	(113,376)	(181,328)	(102,079)	30,668
Nonoperating revenues (expenses):				
Interest and fiscal charges	(8,852)	(245,205)	(99,189)	-
Interest income	539	539	23,298	1,731
Other financing uses	-	-	(250)	-
Decrease in investment in joint venture	-	-	(97,498)	-
Other local tax revenue	-	-	21,607	-
Excise tax expense	-	-	(21,607)	-
Total nonoperating revenues (expenses)	(8,313)	(244,666)	(173,639)	1,731
Net income (loss) before transfers	(121,689)	(425,994)	(275,718)	32,399
Transfers in	-	-	213,417	-
Change in net position	(121,689)	(425,994)	(62,301)	32,399
Net (deficit) position at beginning of year	4,902,380	6,887,810	9,563,764	1,139,738
Net position (deficit) at end of year	$ 4,780,691	$ 6,461,816	$ 9,501,463	$ 1,172,137

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

Change in net position of business-type activities.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Total	Governmental Activities - Internal Service Fund
$ 24,318,849	$ 373,205
58,812	-
23,086	-
349,869	2,863
24,750,616	376,068
3,815,224	99,701
1,691,678	829
17,649,025	278,317
1,939,065	3,000
21,739	-
25,116,731	381,847
(366,115)	(5,779)
(353,246)	-
26,107	-
(250)	-
(97,498)	-
21,607	-
(21,607)	-
(424,887)	-
(791,002)	(5,779)
213,417	-
(577,585)	(5,779)
	(9,040)
	$ (14,819)
496	
$ (577,089)	

CITY OF ST. MARYS
AUGLAIZE COUNTY

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

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Electric	Refuse
Cash flows from operating activities:				
Cash received from charges for services	$ 1,830,607	$ 1,910,670	$ 19,395,274	$ 911,154
Cash received from tap-in fees	10,834	47,978	-	-
Cash received from rental charges	-	-	23,086	-
Cash received from other operations	60,613	36,550	311,646	40,745
Cash payments for personal services	(839,425)	(700,414)	(1,361,895)	(431,936)
Cash payments for contract services	(748,075)	(541,227)	(503,946)	(215,261)
Cash payments for materials and supplies	(23,570)	(16,981)	(18,632,443)	(179,597)
Cash payments for other operations	(452)	(106)	(123,162)	(26)
Net cash provided by (used in) operating activities	290,532	736,470	(891,440)	125,079
Cash flows from noncapital financing activities:				
Cash received from transfers in	-	-	213,417	-
Cash received from the repayment of interfund loans	-	-	33,550	-
Cash payments for new interfund loans	-	-	(60,100)	-
Cash received from other local taxes	-	-	21,607	-
Cash payments for excise tax expense	-	-	(21,607)	-
Net cash provided by noncapital financing activities	-	-	186,867	-
Cash flows from capital and related financing activities:				
Cash payments for the acquisition of capital assets	(353,257)	(140,850)	(1,306,560)	(163,400)
Note issuance	-	-	4,100,000	-
Proceeds from OWDA loan	506,501	-	-	-
Cash payments for principal retirement	(67,579)	(568,332)	(4,226,563)	-
Cash payments for interest and fiscal charges	(8,924)	(245,277)	(64,400)	-
Net cash provided by (used in) capital and related financing activities	76,741	(954,459)	(1,497,523)	(163,400)
Cash flows from investing activities:				
Cash received from interest earned	539	539	23,298	1,731
Net cash provided by investing activities	539	539	23,298	1,731
Net increase (decrease) in cash and investments	367,812	(217,450)	(2,178,798)	(36,590)
Cash and investments at beginning of year	716,714	966,460	6,741,093	2,470,608
Cash and investments at end of year	$ 1,084,526	$ 749,010	$ 4,562,295	$ 2,434,018

Total	Governmental Activities - Internal Service Fund
$ 24,047,705	$ 373,205
58,812	-
23,086	-
449,554	2,887
(3,333,670)	(83,679)
(2,008,509)	(829)
(18,852,591)	(273,320)
(123,746)	-
260,641	18,264
213,417	-
33,550	-
(60,100)	-
21,607	-
(21,607)	-
186,867	-
(1,964,067)	-
4,100,000	-
506,501	-
(4,862,474)	-
(318,601)	-
(2,538,641)	-
26,107	-
26,107	-
(2,065,026)	18,264
10,894,875	2,585
$ 8,829,849	$ 20,849

(continued)

CITY OF ST. MARYS
AUGLAIZE COUNTY

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

	Business-type Activities - Enterprise Funds			
	Water	**Sewer**	**Electric**	**Refuse**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ (113,376)	$ (181,328)	$ (102,079)	$ 30,668
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation	263,548	767,814	773,497	134,206
Changes in assets and liabilities:				
Accounts receivable	(19,574)	3,292	(284,001)	1,405
Special assessments receivable	(2,646)	373	730	-
Due from other governments	25,429	241	-	176
Real and other taxes receivable	-	-	1,157	-
Materials and supplies inventory	(16,235)	1,443	31,702	(1,825)
Prepayments	(261)	(1,097)	(2,919)	(215)
Net pension asset	(716)	(739)	(1,273)	(427)
Deferred outflows - pension - OPERS	(61,873)	(97,440)	(133,703)	(44,831)
Accounts payable	62,555	33,543	(1,070,941)	3,940
Contracts payable	-	-	(140,857)	-
Accrued wages and benefits	2,996	(463)	(2,626)	2,141
Compensated absences payable	(9,171)	384	(9,662)	3,022
Due to other governments	(10,704)	6,477	8,868	4,468
Due to other funds	-	-	(1,060)	-
Refundable cash deposits liability	-	-	2,958	-
Net pension liability	147,874	216,066	327,010	109,645
Deferred inflows - pension - OPERS	22,686	(12,096)	(5,624)	(1,900)
Landfill closure/postclosure liability	-	-	-	(115,394)
AMP-Ohio stranded cost payable	-	-	(282,617)	-
Net cash provided by (used in) operating activities	$ 290,532	$ 736,470	$ (891,440)	$ 125,079

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Non-cash transactions:
During 2017, the electric fund purchased capital assets on account in the amount of $12,124.

Total	Governmental Activities - Internal Service Fund
$ (366,115)	$ (5,779)
1,939,065	3,000
(298,878)	-
(1,543)	-
25,846	24
1,157	-
15,085	(361)
(4,492)	(368)
(3,155)	(108)
(337,847)	(20,776)
(970,903)	984
(140,857)	-
2,048	219
(15,427)	-
9,109	5,523
(1,060)	-
2,958	-
800,595	37,176
3,066	(1,270)
(115,394)	-
(282,617)	-
$ 260,641	$ 18,264

CITY OF ST. MARYS
AUGLAIZE COUNTY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2017

		Agency
Assets:		
Equity in pooled cash and investments	$	153,882
Receivables:		
Income taxes		1,130,671
Total assets	$	1,284,553
Liabilities:		
Due to other governments	$	1,147,544
Payroll withholdings		82,939
Undistributed assets		54,070
Total liabilities	$	1,284,553

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF THE CITY

The City of St. Marys (the "City") is a home rule municipal corporation established and operated under the laws of the State of Ohio. St. Marys was established as a city in 1823 and incorporated as a municipal corporation in 1837.

The City operates under a mayor-council form of government. Legislative power is vested in a seven member City Council and a City Council President, all of which are elected to two-year terms. The Mayor is elected to a four-year term and is the chief executive officer of the City. Three City Council members are elected at-large and four are elected from wards. Other elected officials consist of the Auditor, Treasurer and Law Director. These elected officials are all elected for four-year terms.

The City of St. Marys is divided into various departments and financial management and control systems. Services provided include police and fire protection, street maintenance and repair, planning and zoning, parks and recreation (including a swimming pool), and water, sewer, electric and refuse 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 Mayor through administrative and managerial requirements and procedures.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the City has no component units. The basic financial statements of the reporting entity include only those of the City (the primary government).

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

The following organizations are described due to their relationship to the City:

JOINT VENTURES WITH EQUITY INTEREST

Ohio Municipal Electric Generation Agency Joint Venture
The City of St. Marys is a Financing Participant and a Purchaser Participant with percentages of liability and ownership of 3.80% and 2.98%, respectively, and shares participation with thirty-five other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency (OMEGA JV2). Owner Participants own undivided interests, as tenants in common, in the OMEGA JV2 Project in the amount of their respective Project Shares. Purchaser Participants agree to purchase the output associated with their respective Project Shares, ownership of which is held in trust for such Purchaser Participants.

Pursuant to the OMEGA JV2 Agreement (Agreement), the participants jointly undertook as either Financing Participants or Non-Financing Participants and as either Owner Participants or Purchaser Participants, the acquisition, construction, and equipping of OMEGA JV2, including such portions of OMEGA JV2 as have been acquired, constructed or equipped by American Municipal Power of Ohio (AMP-Ohio) and to pay or incur the costs of the same in accordance with the Agreement.

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Distributive Generation Bonds (Bonds) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's system, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes, or other indebtedness payable from any revenues of the system. Under the terms of the Agreement, each Financing Participant is to fix, charge, and collect rates, fees, and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV2 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2017, the City of St. Marys has met their debt coverage obligation.

OMEGA JV2 was created to provide additional sources of reliable, reasonably priced electric power and energy when prices are high or during times of generation shortages or transmission constraints, and to improve the reliability and economic status of the participants' respective municipal electric utility system. The Project consists of 138.65 MW of distributed generation, of which 134.081 MW is the participants' entitlement and 4.569 MW are held in reserve. On dissolution of OMEGA JV2, the net position will be shared by the participants on a percentage of ownership basis. OMEGA JV2 is managed by AMP-Ohio, which acts as the joint venture's agent. During 2001, AMP-Ohio issued $50,260,000 of twenty-year fixed rate bonds on behalf of the Financing Participants of OMEGA JV2. The net proceeds of the bond issue of $45,904,712 were contributed to OMEGA JV2. On January 3, 2011, AMP-Ohio redeemed all of the $31,110,000 OMEGA JV2 Project Distributive Generation Bonds then outstanding by borrowing on AMP-Ohio's revolving credit facility. As such, the remaining outstanding bond principal of the OMEGA JV2 indebtedness was reduced to zero, with the remaining principal balance now residing on the AMP-Ohio credit facility. As of December 31, 2017, the outstanding debt was $4,143,047. The City's net obligation for this amount at December 31, 2017 was $157,834. The City's net investment and its share of operating results of OMEGA JV2 are reported in the City's electric fund (an enterprise fund). The City's net investment in OMEGA JV2 was $299,286 at December 31, 2017. Complete financial statements for OMEGA JV2 may be obtained from AMP-Ohio or from the State Auditor's website at www.auditor.state.oh.us.

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

The thirty-six participating subdivisions and their respective ownership shares at December 31, 2017 are:

Municipality	Percent Ownership	Kw Entitlement	Municipality	Percent Ownership	Kw Entitlement
Hamilton	23.87%	32,000	Grafton	0.79%	1,056
Bowling Green	14.32%	19,198	Brewster	0.75%	1,000
Niles	11.49%	15,400	Monroeville	0.57%	764
Cuyahoga Falls	7.46%	10,000	Milan	0.55%	737
Wadsworth	5.81%	7,784	Oak Harbor	0.55%	737
Painesville	5.22%	7,000	Elmore	0.27%	364
Dover	5.22%	7,000	Jackson Center	0.22%	300
Galion	4.29%	5,753	Napoleon	0.20%	264
Amherst	3.73%	5,000	Lodi	0.16%	218
St. Marys	2.98%	4,000	Genoa	0.15%	199
Montpelier	2.98%	4,000	Pemberville	0.15%	197
Shelby	1.89%	2,536	Lucas	0.12%	161
Versailles	1.24%	1,660	South Vienna	0.09%	123
Edgerton	1.09%	1,460	Bradner	0.09%	119
Yellow Springs	1.05%	1,408	Woodville	0.06%	81
Oberlin	0.91%	1,217	Haskins	0.05%	73
Pioneer	0.86%	1,158	Arcanum	0.03%	44
Seville	0.79%	1,066	Custar	0.00%	4
	95.20%	127,640		4.80%	6,441
			Grand Total	100.00%	134,081

AMP-Ohio Solar Project

In 2012 AMP constructed a 3.54 MW solar energy generation field on a brownfield area including on top of an old land fill, in Napoleon, Ohio.

The project consisted of 17,160 solar panels covering 20.74 acres. Construction started in April 2012 and the facility went online late August 2012. AMP financed the project on its revolving line of credit at $9,600,000. The balance as of December 31, 2017, including interest, is $6,800,000. There are three (3) member project participants. Those participants are the City of Napoleon, Ohio (1,040 kW), the City of St. Marys, Ohio (2,300 kW) and the Village of Waynesfield, Ohio (200 kW).

The City of St. Marys has executed a take-or-pay sales contract with AMP for 2,300 kW or 64.97% of capacity and associated energy from the solar facility.

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

INSURANCE PURCHASING POOL

The City participates in a group rating plan for workers' compensation as established under Section 4123.29 of the Ohio Revised Code. The Ohio Municipal League Workers' Compensation Group Rating Plan (the "Plan") is an insurance purchasing pool. A group executive committee is responsible for calculating annual rate contributions and rebates, approving the selection of a third party administrator, reviewing and approving proposed third party fees, fees for risk management services and general management fees, determining ongoing eligibility of each participant, and performing any other acts and functions which may be delegated to it by the participating members. Each year, the participating members pay an enrollment fee to the Plan to cover the costs of administering the program.

B. Basis of Presentation

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

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

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

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are primarily charges for services, tap-in fees, and rental income for the water, sewer, electric, and refuse enterprise funds, and charges for services collected for the City's maintenance garage internal service fund. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the proprietary fund. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Fund Accounting

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

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

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

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

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

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

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

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

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

Electric fund - This fund accounts for the operations of providing electric services to residential and commercial users located within the City.

Refuse fund - This fund accounts for the operations of providing solid waste removal to residential and commercial users located within the City.

Internal Service Fund - Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on the operations of the City's maintenance garage.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds, which are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The City's agency funds have been combined into one on the basic financial statements.

D. Measurement Focus

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

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

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

Agency funds do not report a measurement focus as they do not report operations.

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

E. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On the accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements, and donations is recognized in the 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.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, See Note 16 for deferred outflows of resources related the City’s net pension liability.

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

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

For the City, see Note 16 for deferred inflows of resources related to the City's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

F. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated.

Tax Budget - A budget of estimated revenues and expenditures for all funds is submitted to the County Auditor, as secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. The budget includes proposed expenditures and the means of financing for all funds. The purpose of this budget document is to reflect the need for existing or increased tax rates. The Auglaize County Auditor waived this requirement for 2017.

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

Estimated Resources - The County Budget Commission reviews the estimated revenues and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The County Budget Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the estimated beginning of year fund balance and projected revenue of each fund. On or before December 31, the City must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include the actual unencumbered fund balances from the preceding year. The certificate of estimated resources may be further amended during the year if the City Auditor determines that revenue to be collected will be greater than or less than prior revenue estimates, and the County Budget Commission finds the revised estimates to be reasonable. The amounts set forth in the basic financial statements represent estimates from the final amended official certificate of estimated resources issued during 2017.

Appropriations - A temporary appropriations ordinance to control the level of expenditures for all funds may be passed on or about January 1 of each year, for the period January 1 to March 31. An annual appropriations ordinance must be passed by April 1 of each year, for the period January 1 to December 31. Appropriations may not exceed estimated resources as established in the amended official certificate of estimated resources. The allocation of appropriations among departments and objects within a fund may be modified during the year with City Council approval. Several appropriations resolutions were legally enacted by the City Council during the year. The budget figures, which appear in the budgetary comparison statement, represent the appropriated budget amounts and all supplemental appropriations.

Budgeted Level of Expenditures - Administrative control is maintained through the establishment of detailed line-item budgets. Expenditures may not legally exceed appropriations at the level of appropriation adopted by the City Council. For all funds, City Council appropriations are made to personal services, capital outlay, debt retirement, transfer accounts and other expenditure accounts for each department within each fund. The appropriations set by the City Council at the legal level of control must remain fixed unless amended by City Council resolution. More detailed appropriation allocations may be made by the City Auditor as long as the allocations are within the City Council's legal level of control appropriated amount.

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

G. Cash and Investments

To improve cash management, cash received by the City, other than cash in segregated accounts or with fiscal agents, is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the basic financial statements.

Cash and investments that are held separately from the City by fiscal agents, and are not held within the City treasury, are recorded on the basic financial statements as "cash with fiscal agent".

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

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented on the basic financial statements as "cash in segregated accounts" since they are not required to be deposited into the City treasury. The City maintains segregated depository accounts for ambulance monies and for proceeds related to the demolition of the City's power plant.

During 2017, investments were limited to Federal Home Loan Bank (FHLB) and Federal Home Loan Mortgage Corporation (FHLMC) securities, U.S. Treasury money market mutual funds, negotiable certificates of deposit, nonnegotiable certificates of deposit and STAR Ohio. Investments are reported at fair value, except for nonnegotiable certificates of deposit, which are reported at cost. Fair value is based on quoted market prices.

During 2017, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2017, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $50 million, requiring the excess amount to be transacted the following business day(s), but only to the $50 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to City funds according to State statutes, grant requirements, or debt related restrictions. Interest revenue credited to the general fund during 2017 was $141,293, which includes $110,658 assigned from other City funds.

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

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

H. Loans Receivable

Loans receivable represent the right to receive payment for certain loans made by the City. These loans are based upon written agreements between the City and the various loan recipients. See Note 8 for further information on the City's loans receivable.

I. Notes Receivable

Notes receivable represent the right to receive payment on notes issued to the Community Improvement Corporation of St. Marys (CIC). These notes are based upon written agreements between the City and the CIC. See Note 9 for further information on the City's notes receivable.

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

J. Prepayments

Payments made to vendors for services that will benefit the City beyond December 31, 2017 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 it is consumed.

On the governmental fund financial statements, prepaid items are equally offset by nonspendable fund balance, which indicates that they do not constitute available spendable resources even though they are a component of net current assets.

K. Inventories of Materials and Supplies

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

On fund financial statements, inventories of governmental funds are stated at cost, while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental funds when purchased. Inventories of the proprietary funds are expensed when used.

On the governmental fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

L. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of $5,000. The City's infrastructure primarily consists of bridges, culverts, curbs, sidewalks, streets, and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land, easements, 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.

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

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

Description	Governmental Activities Estimated Lives	Business-type Activities Estimated Lives
Land improvements	20 - 25 years	20 - 25 years
Buildings and improvements	20 - 25 years	25 years
Equipment and furniture	7 - 15 years	7 - 25 years
Vehicles	7 - 10 years	7 - 10 years
Infrastructure	20 - 40 years	10 - 50 years

M. Compensated Absences

Vacation leave 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 leave when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for sick leave is made to the extent it is probable that benefits will result in termination payments. The liability is an estimate based on the City's past experience of making termination payments. Accumulated unused sick leave is paid to employees who retire at various rates depending on department and length of service.

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

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

N. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and net pension liability that will be 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.

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

O. Interfund Balances

On the fund financial statements, amounts due to/from other funds resulting from time lag between payment dates are classified as "due to/from other funds". Interfund balances resulting from loan transactions between funds are reported as "interfund loans receivable/payable".

These amounts are eliminated in the governmental activities and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental activities and business-type activities, which are presented as internal balances.

P. Interfund Activity

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

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

Q. Fund Balance

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

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

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes. Fund balance is also assigned for any subsequent year appropriations in excess of estimated receipts in the general fund.

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

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

R. Restricted Assets

Restricted assets represent utility deposits from customers that are restricted because their use is limited to the payment of unpaid utility bills or refunding the deposit to the customer. In addition, restricted assets represent permissive tax monies held by Auglaize County.

S. Estimates

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

T. Capital Contributions

Contributions of capital in governmental activities and proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, from grants or outside contributions of resources restricted to capital acquisition and construction, or from other funds within the City. Capital contributions are reported as such in the statement of activities, and as revenue in the proprietary fund financial statements. During 2017, the City did receive capital contributions in the sewer fund.

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

U. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of monies intended for law enforcement and education.

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

V. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of management and are either unusual in nature or infrequent in occurrence. The City reported neither type of transaction during 2017.

W. Pensions

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

X. Fair Value Measurements

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.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

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

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

B. Deficit Fund Balances

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

Nonmajor funds	Deficit
Fire pension	$ 789
Special assessment bond retirement	104,615

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the City has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must 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 in 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.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

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

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

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

6. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio);

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,

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

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

1. Bonds of the State of Ohio;

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

3. Obligations of the City.

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

Restricted cash with fiscal agent: At year end, the City had $9,880 on deposit with a financial institution for permissive tax monies held by Auglaize County. The data regarding insurance and collateralization can be obtained from the Auglaize County financial report for the year ended December 31, 2017. This amount is not included in "investments" below.

Restricted assets: At year end, the City had various deposits that were restricted (See Note 19). These amounts are included in "deposits with financial institutions" below.

A. Deposits with Financial Institutions

At December 31, 2017, the carrying amount of all City deposits was $6,975,580 and the bank balance of all City deposits was $7,169,639. Of the bank balance, $750,000 was covered by the FDIC, $1,794,269 was covered by the Ohio Pooled Collateral System, and $4,625,370 was potentially exposed to custodial credit risk discussed below because those deposits were uninsured and could be uncollateralized. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. Financial institutions which have received an extension (the "grace period") from the Ohio Treasurer of State to participate in the OPCS beyond December 31, 2017 may also pledge a single pool of eligible securities to secure the repayment of all public moneys deposited in the institution and not otherwise secured pursuant to law, provided that at all times the total market value of the securities so pledged is at least equal to 105% of the total amount of all public deposits to be secured by the pooled securities that are not covered by any federal deposit insurance. For 2017, certain City financial institutions participated in OPCS and some did not participate in the OPCS because they received an extension of time to participate.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

B. Investments

As of December 31, 2017, the City had the following investments and maturities:

			Investment Maturities			
Measurement/ Investment Type	Measurement Value	6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months	Greater than 24 Months
Fair value:						
Negotiable CD's	$ 4,125,008	$ 1,678,448	$ 724,242	$ 474,687	$ 999,001	$ 248,630
FHLB	973,340	-	-	-	-	973,340
FHLMC	2,470,090	-	-	-	-	2,470,090
U.S. Treasury money market mutual funds	27,419	27,419	-	-	-	-
Amortized cost:						
STAR Ohio	4,000,329	4,000,329	-	-	-	-
Total	$ 11,596,186	$ 5,706,196	$ 724,242	$ 474,687	$ 999,001	$ 3,692,060

At December 31, 2017, the weighted average maturity of investments is 1.52 years.

Fair Value Measurements: The City's investments in U.S. treasury money market mutual funds are valued using quoted market prices in active markets (Level 1 inputs). The City's investments in federal agency securities (FHLB and FHLMC), and negotiable CD's are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs).

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

Credit Risk: STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The U.S. Treasury money market mutual funds carry a rating of AAAm by Standard & Poor's. The City's investments in FHLB and FHLMC securities were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, Inc., respectively. The City's negotiable certificates of deposit were fully insured by the FDIC. The City has no investment policy dealing with investment credit risk beyond the requirements in State statutes.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The FHLB and FHLMC securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the City's name. The City has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the City Auditor or qualified trustee.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Concentration of Credit Risk: The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2017:

Investment Type	Measurement Value	% of Total
Fair value:		
Negotiable CD's	$ 4,125,008	35.57
FHLB	973,340	8.39
FHLMC	2,470,090	21.30
U.S. Treasury money market mutual fund	27,419	0.24
Amortized cost:		
STAR Ohio	4,000,329	34.50
Total	$ 11,596,186	100.00

C. Reconciliation of Cash and Investments to the Statement of Net Position

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

Cash and investments per note disclosure	
Carrying amount of deposits	$ 6,975,580
Investments	11,596,186
Restricted cash with fiscal agent	9,880
Total	$ 18,581,646
Cash and investments per statement of net position	
Governmental activities	$ 9,597,915
Business-type activities	8,829,849
Agency funds	153,882
Total	$ 18,581,646

NOTE 5 - INTERFUND TRANSACTIONS

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

Transfers out of general fund and into:	
Electric fund	$ 213,417
Nonmajor governmental funds	265,000
Transfer out of nonmajor governmental fund and into:	
Nonmajor governmental funds	91,169
Total	$ 569,586

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

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The $91,169 in transfers from the manuscript bond retirement fund (a nonmajor governmental fund) to the special assessment improvement fund (a nonmajor governmental fund) were to move debt service payments to repay the bond anticipation notes previously reported in that fund.

Transfers between governmental funds are eliminated for reporting on the statement of activities. Transfers between governmental activities and business-type activities are reported as transfers on the statement of activities.

All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15, and 5705.16.

B. Interfund loans receivable/payable consisted of the following, as reported on the fund financial statements for the year ended December 31, 2017:

Interfund loans receivable in the electric fund from:	
Nonmajor governmental funds	$ 132,790

The interfund loans are City street improvement bonds which represent amounts borrowed from other City funds. The bonds were issued in order to finance street improvements.

Interfund loans between governmental activities and business-type activities are reported as a component of "internal balance" on the statement of net position.

C. Due to/from other funds consisted of the following, as reported on the fund financial statements for the year ended December 31, 2017:

Due to general fund from:	
Electric fund	$ 65,356

This balance resulted from the time lag between the dates in which payments between the funds were made. Amounts due to/from other funds between governmental activities and business-type activities are reported as a component of "internal balance" on the statement of net position.

NOTE 6 - PROPERTY TAXES

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

NOTE 6 - PROPERTY TAXES - (Continued)

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

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

The full tax rate for all City operations for the year ended December 31, 2017 was $3.32 per $1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2017 property tax receipts were based are as follows:

Real property	
Residential/agricultural	$ 98,644,290
Commercial/industrial	35,067,610
Public utility	
Real	17,090
Personal	372,850
Total assessed value	$ 134,101,840

NOTE 7 - LOCAL INCOME TAX

The City levies and collects an income tax of 1.5 percent based on all income earned within the City, as well as on the income of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly.

Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

The City, by ordinance, allocated 1 percent of the income tax revenues to the general fund (0.72%), the street construction and maintenance fund (a nonmajor governmental fund) (0.18%), and the capital improvements fund (a nonmajor governmental fund) (0.10%) for the period of January 1, 2016 through December 31, 2017. The other 0.5 percent is allocated to the voted income tax fund (a nonmajor governmental fund). For 2017, in the fund financial statements, income tax revenue credited to the general fund, voted income tax fund (a nonmajor governmental fund), street construction and maintenance fund (a nonmajor governmental fund) and capital improvement fund (a nonmajor governmental fund), totaled $2,421,351, $1,498,873, $531,992, and $295,552, respectively.

NOTE 8 - LOANS RECEIVABLE

Loans receivable represent low interest loans for development projects and home improvements granted to eligible City businesses and residents under the Community Development Block Grant (CDBG) program, a federal grant program which is accounted for in the CDBG fund (a nonmajor governmental fund). The outstanding loans have annual interest rates ranging from 2.00% - 3.00%, and are repaid over periods ranging from five to thirty years.

A summary of loans receivable activity during 2017 follows:

Loans receivable:	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017
Business loans	$ 843,066	$ 1	$ (53,900)	$ 789,167

NOTE 9 - NOTES RECEIVABLE

Notes receivable represent amounts issued to the Community Improvement Corporation of St. Marys (CIC) for the improvement of storefronts within the City that are being leased to outside entities, specifically the St. Marys City School District Board of Education. The CIC is charged with collecting lease payments from the lessee in order to repay the note principal to the City. The Fort Barbee Renovation note was issued on October 1, 2010 for $150,000, has an annual interest rate of 1.00%, and is to be repaid on a quarterly basis over a twenty year period. The 207 E. Spring Street note was issued on August 1, 2015 for $130,000, has an annual interest rate of 1.25%, and is to be repaid on a quarterly basis over a fifteen-year period. At December 31, 2017, the amount owed to the City was $214,953.

A summary of notes receivable activity during 2017 follows:

Notes receivable:	Balance January 1, 2017	Additions	Reductions	Balance December 31, 2017
Fort Barbee Renovation	$ 109,898	$ 344	$ (7,212)	$ 103,030
207 E. Spring Street Property	120,072	-	(8,149)	111,923
	$ 229,970	$ 344	$ (15,361)	$ 214,953

NOTE 10 - RECEIVABLES

Receivables at December 31, 2017 consisted of income taxes, real and other taxes, accounts (billings for user charged services), special assessments, loans, notes, accrued interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All intergovernmental receivables have been reported as "due from other governments" on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2017.

A list of the principal items of receivables reported on the statement of net position follows:

Receivables:	Governmental Activities	Business-type Activities
Income taxes	$ 819,185	$ -
Real and other taxes	391,406	67,549
Accounts	129,155	2,368,723
Special assessments	303,249	4,500
Loans	789,167	-
Notes	214,953	-
Accrued interest	23,815	-
Due from other governments	305,490	57,779
Total	$ 2,976,420	$ 2,498,551

Receivables have been disaggregated on the face of the basic financial statements. The only receivables not expected to be collected within the subsequent year are special assessments, loans, and notes. Special assessments will be collected over the life of the assessment. Loans and notes will be collected over the term of the respective loan and note agreements (See Note 8 and Note 9).

THIS SPACE INTENTIONALLY LEFT BLANK

NOTE 11 - CAPITAL ASSETS

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

Governmental activities:	Balance January 1, 2017	Additions	Disposals	Balance December 31, 2017
Capital assets, not being depreciated:				
Land	$ 2,886,604	$ 324,872	$ -	$ 3,211,476
Total capital assets, not being depreciated	2,886,604	324,872	-	3,211,476
Capital assets, being depreciated:				
Land improvements	5,130,343	77,610	-	5,207,953
Buildings and improvements	1,790,611	314,260	-	2,104,871
Equipment and furniture	1,973,387	286,239	(17,413)	2,242,213
Vehicles	4,512,082	19,828	(73,100)	4,458,810
Infrastructure	27,826,516	-	-	27,826,516
Total capital assets, being depreciated	41,232,939	697,937	(90,513)	41,840,363
Less: accumulated depreciation:				
Land improvements	(2,090,653)	(200,438)	-	(2,291,091)
Buildings and improvements	(1,202,610)	(52,704)	-	(1,255,314)
Equipment and furniture	(1,073,706)	(178,572)	12,190	(1,240,088)
Vehicles	(2,571,197)	(275,907)	73,100	(2,774,004)
Infrastructure	(15,709,260)	(1,071,292)	-	(16,780,552)
Total accumulated depreciation	(22,647,426)	(1,778,913)	85,290	(24,341,049)
Total capital assets, net	$ 21,472,117	$ (756,104)	$ (5,223)	$ 20,710,790

Depreciation expense was charged to the City's governmental activities programs/functions as follows:

Governmental activities:	Depreciation Expense
General government	$ 32,260
Security of persons and property	325,305
Public health and welfare	5,654
Transportation	1,211,872
Community environment	49,617
Leisure time activity	151,205
Capital assets held by the internal service fund are charged to various functions based upon their usage of the capital assets	3,000
Total depreciation expense	$ 1,778,913

NOTE 11 - CAPITAL ASSETS - (Continued)

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

Business-type activities:	Balance January 1, 2017	Additions	Disposals	Balance December 31, 2017
Capital assets, not being depreciated:				
Land and easements	$ 1,221,910	$ -	$ -	$ 1,221,910
Construction in progress	5,468,463	1,305,379	(6,638,748)	135,094
Total capital assets, not being depreciated	6,690,373	1,305,379	(6,638,748)	1,357,004
Capital assets, being depreciated:				
Land improvements	7,891,040	-	-	7,891,040
Buildings and improvements	16,899,114	23,563	-	16,922,677
Equipment and furniture	11,649,787	1,620,930	-	13,270,717
Vehicles	3,442,802	272,690	-	3,715,492
Infrastructure	21,558,371	5,392,377	-	26,950,748
Total capital assets, being depreciated	61,441,114	7,309,560	-	68,750,674
Less: accumulated depreciation:				
Land improvements	(4,613,524)	(255,089)	-	(4,868,613)
Buildings and improvements	(7,827,262)	(519,564)	-	(8,346,826)
Equipment and furniture	(9,959,190)	(358,722)	-	(10,317,912)
Vehicles	(2,312,680)	(190,868)	-	(2,503,548)
Infrastructure	(11,819,327)	(614,822)	-	(12,434,149)
Total accumulated depreciation	(36,531,983)	(1,939,065)	-	(38,471,048)
Total capital assets, net	$ 31,599,504	$ 6,675,874	$(6,638,748)	$ 31,636,630

Depreciation expense was charged to the City's enterprise funds as follows:

Business-type activities:	Depreciation Expense
Water fund	$ 263,548
Sewer fund	767,814
Electric fund	773,497
Refuse fund	134,206
Total depreciation expense	$ 1,939,065

NOTE 12 - COMPENSATED ABSENCES

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

City employees earn vacation leave at varying rates depending on length of service and standard work week. Current policy credits vacation leave on the employee's anniversary date. Employees are paid for 100 percent of accumulated unused vacation leave upon termination.

Sick leave is earned at various rates as defined by City policy and union contracts. Payment of accrued unused sick leave is made to each employee having ten or more years of continuous service with the City upon retirement under the applicable pension system. The maximum amount of sick leave that is paid upon retirement differs between the policies.

Compensatory leave for supervisors and police department employees, including sergeants, officers, and dispatchers, is earned at a rate of one and one-half times the actual hours worked in excess of eight hours per day or in excess of the employee's regularly scheduled work week. Compensatory leave may accumulate throughout the year, but any unused balance as of December 31 of each year may not exceed forty hours for supervisors, sergeants and officers, and thirty-two hours for dispatchers. Upon termination of employment, employees are entitled to receive, in cash, any remaining balance of unused compensatory leave.

NOTE 13 - NOTES PAYABLE

The City had the following note activity during 2017:

	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017
Governmental activities:				
Bond anticipation notes, 2016	$ 86,000	$ -	$ (86,000)	$ -
	$ 86,000	$ -	$ (86,000)	$ -
Business-type activities:				
Improvement notes - Series 2016, electric system improvement	$ 2,100,000		$ (2,100,000)	$ -
Improvement notes - Series 2016B, electric system	2,000,000		(2,000,000)	-
Improvement notes - Series 2017, electric system	-	4,100,000	-	4,100,000
Total	$ 4,100,000	$ 4,100,000	$ (4,100,000)	$ 4,100,000

On July 8, 2016, the City entered into bond anticipation notes for $86,000 to finance the 2016 Spruce Street Reconstruction Project. The notes carry an interest rate of 1.25% and matured on July 8, 2017.

NOTE 13 - NOTES PAYABLE - (Continued)

On May 18, 2016, the City issued Series 2016 bond anticipation notes in the amount of $2,100,000 to provide funds to pay the costs of the electric system improvement project, as well as to pay for all issuance costs. The notes carry an interest rate of 1.00% and matured on May 18, 2017. Additionally, on December 20, 2016, the City issued Series 2016B bond anticipation notes in the amount of $2,000,000 to provide funds to pay the costs of the electric system project, as well as to pay for all issuance costs. The notes carry an interest rate of 1.19% and matured on May 18, 2017.

On May 18, 2017, the City issued Series 2017 bond anticipation notes in the amount of $4,100,000 to provide funds to pay the costs of the electric system improvement project, as well as to pay for all issuance costs. The notes carry an interest rate of 1.91% and mature on May 16, 2018. See Note 26.

NOTE 14 - LONG-TERM OBLIGATIONS

Governmental activities changes in long-term obligations for the year ended December 31, 2017 were as follows:

Governmental activities:	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Amount Due Within One Year
Long-term obligations					
Net pension liability	$ 7,285,252	$ 531,185	$ (296,984)	$ 7,519,453	$ -
Compensated absences payable	413,124	82,637	(81,579)	414,182	77,892
Total long-term obligations	$ 7,698,376	$ 613,822	$ (378,563)	$ 7,933,635	$ 77,892

See Note 16 for detail on the net pension liability.

Compensated absences will be paid out of the fund from which the employee's salary is paid, which for the City is primarily the general fund and the street construction and maintenance fund (a nonmajor governmental fund).

THIS SPACE IS INTENTIONALLY LEFT BLANK

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Business-type activities changes in long-term obligations for the year ended December 31, 2017 were as follows:

Business-type activities:	Interest Rate	Balance January 1, 2017	Additions	Retirements	Balance December 31, 2017	Amount Due Within One Year
Capital facility bonds						
Capital facility bonds, series 2016	1.94%	$ 920,000	$ -	$ (90,000)	$ 830,000	$ 95,000
General obligation bonds						
OMEGA JV2 electric project	3.81%	543,554	-	(126,563)	416,991	132,653
OWDA loans						
Water treatment plant improvements	2.56%	83,812	506,501	(22,579)	567,734	
Wastewater treatment plant	3.36%	8,002,414	-	(500,128)	7,502,286	517,073
Total OWDA loans		8,086,226	506,501	(522,707)	8,070,020	517,073
OPWC loans						
Sanitary sewer rehabilitation	0.00%	159,982	-	(8,204)	151,778	8,204
Spring Street sanitary lift rehabilitation	0.00%	232,500	-	(15,000)	217,500	15,000
Total OPWC loans		392,482	-	(23,204)	369,278	23,204
Other long-term obligations						
Compensated absences payable		346,590	53,018	(68,445)	331,163	63,901
Net pension liability		3,061,575	800,595	-	3,862,170	-
AMP-Ohio stranded cost payable		1,004,925	20,847	(303,464)	722,308	200,000
Landfill closure/postclosure liability		2,476,891	-	(115,394)	2,361,497	-
Total other long-term obligations		6,889,981	874,460	(487,303)	7,277,138	263,901
Total long-term obligations		$ 16,832,243	$ 1,380,961	$ (1,249,777)	$ 16,963,427	$ 1,031,831

Compensated absences will be paid out of the fund from which the employee's salary is paid, which for the City includes the water, sewer, electric, and refuse enterprise funds.

See Note 20 for detail of the City's landfill closure/postclosure liability.

Net Pension Liability: See Note 16 for detail.

General Obligation Bonds - The general obligation bonds were issued in order to provide the financial resources for the OMEGA JV2 project (see Note 2.A). The proceeds of this issuance were combined with the general obligation bond issuance proceeds of the other participants in the OMEGA JV2 project, and were used for the acquisition, construction, and equipping of OMEGA JV2. The bonds were issued during 2001, mature in 2020, and carry an interest rate of 3.81%. Principal and interest payments are paid out of the electric fund. The bonds are supported by the full faith and credit of the City and are being retired through electric use charges and other operating revenues of the electric fund.

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Capital Improvement Bonds - On May 25, 2016, the City issued capital improvement bonds in the amount of $1,025,000. The bonds will mature on December 1, 2025, and carry an interest rate of 1.94%. Principal and interest payments are paid half out of the water fund and half out of the sewer fund. The bonds are supported by the full faith and credit of the City.

OWDA Loans - The City has pledged future sewer revenues to repay an Ohio Water Development Authority (OWDA) loan related to the construction of a new wastewater treatment plant. The loan is payable solely from sewer fund revenues and is payable through 2029 at an interest rate of 3.36%. Annual principal and interest payments on the loan are expected to require 125.46% of net revenues and 36.98% of total revenues. The total principal and interest remaining to be paid on the loan is $8,998,563. Principal and interest paid for the current year was $736,481. Total net revenues were $587,025, and total revenues were $1,991,292. The loan is supported by the full faith and credit of the City.

During 2016, the City entered into another OWDA loan agreement for the purpose of financing construction costs for the City's water treatment plant. The loan carries an interest rate of 2.56% and the outstanding balance as of December 31, 2017 was $567,734. Principal and interest paid for the current year was $22,579. As the loan is still open, no amortization schedule was available at December 31, 2017.

OPWC Loans - The City has entered into debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund a sanitary lift rehabilitation project and a sanitary sewer rehabilitation project. The payments due to the OPWC are made from the City's sewer fund. The loan agreements function similar to a line-of-credit agreement. At December 31, 2017, the City had outstanding OPWC loan borrowings of $369,278 in the sewer fund. The loan agreement requires semi-annual payments based on the actual amount loaned. The OPWC loans are interest free and are payable through 2032 and 2036, respectively.

AMP-Ohio Stranded Cost Payable - The City is a member of American Municipal Power (AMP) and was a participant in the American Municipal Power Generating Station Project (the "AMPGS Project"). The City executed a take-or-pay contract on November 1, 2007 in order to participate in the AMPGS Project, which was intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share of the AMPGS Project was 21,000 kilowatts out of a total 771,281 kilowatts, giving the City a 2.72 percent share. The take-or-pay contracts signed by the City and other AMPGS Project participants obligated these entities to pay any costs incurred for the AMPGS Project.

In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed impaired and the participants of the AMPGS Project were obligated to pay the costs already incurred. In prior years, the eventual payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. However, as a result of a March 31, 2014 legal ruling, on April 16, 2014 the AMP Board of Trustees and the AMPGS Project participants approved the collection of the impaired costs. AMP then provided each AMPGS Project participant with an estimate of its individual liability.

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Consistent with prior years, the City continues to record a long-term obligation for its portion of the stranded costs related to the AMPGS Project. The City's estimated share of the impaired costs at March 31, 2014 was determined to be $3,642,633. The City received a credit of $757,070 related to its participation in the AMP Fremont Energy Center Project (the "AFEC Project"), and another credit of $949,722 related to AMPGS Project costs deemed to have a future benefit for the City (both credits act as a reduction to the City's long-term obligation for stranded costs, including $915,535 of the latter credit reported as a special item in the electric fund in a prior year). As of December 31, 2017, the City has made total payments of $1,303,464 on the AMPGS Project liability, $303,464 of which occurred during 2017. The City was also responsible for various costs related to the AMPGS Project incurred during 2017 in the amount of $20,847, which increased the City's long-term obligation. The net effect of these transactions is a December 31, 2017 impaired cost estimate of $722,308, which is reported as "AMP-Ohio stranded cost payable" in the City's electric fund.

Now that payments on the outstanding stranded costs associated with the AMPGS Project are probable and reasonably estimable for each AMPGS Project participant, each entity is required to report a liability moving forward. AMP has financed these costs on its revolving line-of-credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the AMPGS Project could potentially impact each participant's liability. These amounts will be recorded as they become estimable.

In 2011, when the AMPGS Project was determined to be abandoned, the City recognized the total estimated costs established at that time as a current operating expense through the contractual services line item. The City thus elected in 2011 to finance this long-term obligation through existing resources in the electric fund, a plan that is still in place as of December 31, 2017.

The following is a summary of the City's future payment requirements for the AMPGS Project liability (AMP-Ohio stranded cost payable):

	AMPGS Project Liability	
Year Ending December 31,		Payment
2018	$	200,000
2019		200,000
2020		200,000
2021		122,308
Total	$	722,308

NOTE 14 - LONG-TERM OBLIGATIONS - (Continued)

Future Debt Service Requirements - At December 31, 2017, the principal and interest requirements to retire the business-type activities long-term obligations are as follows:

Year	General Obligation Bonds		
Ended	Principal	Interest	Total
2018	$ 132,653	$ 19,807	$ 152,460
2019	138,934	13,506	152,440
2020	145,404	6,907	152,311
Total	$ 416,991	$ 40,220	$ 457,211

Year	Capital Improvement Bonds		
Ended	Principal	Interest	Total
2018	$ 95,000	$ 16,102	$ 111,102
2019	95,000	14,259	109,259
2020	100,000	12,416	112,416
2021	100,000	10,476	110,476
2022	105,000	8,536	113,536
2023 - 2025	335,000	13,095	348,095
Total	$ 830,000	$ 74,884	$ 904,884

Year	OPWC Loans			OWDA Loan		
Ended	Principal	Interest	Total	Principal	Interest	Total
2018	$ 23,204	$ -	$ 23,204	$ 517,073	$ 221,223	$ 738,296
2019	23,204	-	23,204	534,593	205,580	740,173
2020	23,204	-	23,204	552,706	189,408	742,114
2021	23,204	-	23,204	571,433	172,688	744,121
2022	23,204	-	23,204	590,795	155,400	746,195
2023 - 2027	116,022	-	116,022	3,268,150	496,486	3,764,636
2028 - 2032	108,521	-	108,521	1,467,536	55,492	1,523,028
2033 - 2036	28,715	-	28,715	-	-	-
Total	$ 369,278	$ -	$ 369,278	$ 7,502,286	$ 1,496,277	$ 8,998,563

Legal Debt Margins - At December 31, 2017, the City had a legal voted debt margin of $14,080,693 and a legal unvoted debt margin of $7,375,601.

NOTE 15 - RISK MANAGEMENT

A. Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has entered into contracts with various insurance agencies for the following coverages and deductibles:

Type of Coverage	Coverage	Deductible
General Liability	$ 6,000,000	$ 0
Law Enforcement Liability	6,000,000	5,000
Public Officials Liability	6,000,000	5,000
Employers Liability	6,000,000	0
Employee Benefits Liability	6,000,000	0
Automobile Coverage	6,000,000	1,000
Buildings and Personal Property	88,659,014	various
Boiler and Equipment Breakdown	88,659,014	various
Inland Marine	3,872,830	1,000
Data Breach	1,000,000	5,000
Crime Coverage	62,000	various
Terrorism Property	92,780,844	25,000
Terrorism Liability	6,000,000	10,000

There were no significant reductions in insurance coverage from the prior year, and no insurance settlement has exceeded insurance coverage during the last three years.

All employees of the City are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

B. Employee Medical Benefits

Employees have a choice of two insurance plans; a traditional preferred provider organization (PPO) plan and a health savings account (HSA) plan.

The monthly premiums for the PPO plan during the periods of January 1, 2017 through December 31, 2017 were $785.22 for single coverage and $2,316.35 for family coverage, respectively. The employee share is 20% of the premium amount. The PPO plan has an in-network deductible of $1,000 per year for single coverage and $3,000 per year for family coverage. Maximum out-of-pocket limits for the PPO plan are equal to the in-network deductibles, $1,000 per year for single coverage and $3,000 per year for family coverage. The PPO plan has a maximum lifetime coverage limit of $5,000,000.

The monthly premiums for the HSA plan during the periods of January 1, 2017 through December 31, 2017 were $835.66 for single coverage and $2.466.16 for family coverage, respectively. The employee share was 10% of the premium amount. The HSA plan has an in-network deductible of $1,500 for single coverage and $3,000 for family coverage. Maximum out-of-pocket limits for the HSA plan are equal to the in-network deductibles, $1,500 per year for single coverage and $3,000 per year for family coverage. The HSA plan has a maximum lifetime coverage limit of $5,000,000.

NOTE 15 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

For 2017, the City participated in the Ohio Municipal League Workers' Compensation Group Retrospective Rating Plan (the "Plan"), an insurance purchasing pool. The Plan is intended to achieve the benefit of a reduced premium for the City by virtue of its grouping and representation with other participants in the Plan. The workers' compensation experience of the participating members is calculated as one experience and a common premium rate is applied to all members in the Plan. Each member pays its workers' compensation premiums to the State based on the rate for the Plan rather than its individual rate.

Participation in the Plan is limited to members that can meet the Plan's selection criteria. The members apply for participation each year. The firm of CompManagement, Inc. provides administrative, cost control, and actuarial services to the Plan. Each year, the City pays an enrollment fee to the Plan to cover the costs of administering the program.

NOTE 16 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

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

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was $491,636 for 2017. Of this amount, $56,680 is reported as due to other governments.

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

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

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

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50 %	0.50 %
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was $381,415 for 2017. Of this amount $47,874 is reported as due to other governments.

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

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Following is information related to the proportionate share and pension expense:

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.02803100%	0.01435000%	0.00314200%	0.08536300%	
Proportion of the net pension liability/asset current measurement date	0.02724600%	0.02175300%	0.00296200%	0.08201200%	
Change in proportionate share	-0.00078500%	0.00740300%	-0.00018000%	-0.00335100%	
Proportionate share of the net pension liability	$ 6,187,103	$ -	$ -	$ 5,194,520	$ 11,381,623
Proportionate share of the net pension asset	-	(12,108)	(12)	-	(12,120)
Pension expense	1,231,701	8,747	15	904,186	2,144,649

THIS SPACE IS INTENTIONALLY LEFT BLANK

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	$ 8,386	$ -	$ 124	$ 1,470	$ 9,980
Net difference between projected and actual earnings on pension plan investments	921,403	2,952	10	505,149	1,429,514
Changes of assumptions	981,348	2,951	14	-	984,313
Changes in employer's proportionate percentage/ difference between employer contributions	16,118	-	-	685	16,803
City contributions subsequent to the measurement date	477,335	12,782	1,519	381,415	873,051
Total deferred outflows of resources	$ 2,404,590	$ 18,685	$ 1,667	$ 888,719	$ 3,313,661
Deferred inflows of resources					
Differences between expected and actual experience	$ 36,821	$ 6,191	$ -	$ 11,961	$ 54,973
Changes in employer's proportionate percentage/ difference between employer contributions	133,962	-	-	427,082	561,044
Total deferred inflows of resources	$ 170,783	$ 6,191	$ -	$ 439,043	$ 616,017

$873,051 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2018.

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	OP&F	Total
Year Ending December 31:					
2018	$ 696,769	$ 574	$ 23	$ 96,459	$ 793,825
2019	761,851	573	22	96,458	858,904
2020	324,859	445	22	50,340	375,666
2021	(27,007)	(601)	19	(130,003)	(157,592)
2022	-	(493)	19	(42,101)	(42,575)
Thereafter	-	(786)	43	(2,892)	(3,635)
Total	$ 1,756,472	$ (288)	$ 148	$ 68,261	$ 1,824,593

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board’s actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, for the defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

The table below displays the Board-approved asset allocation policy for 2016 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 %	2.75 %
Domestic equities	20.70	6.34
Real estate	10.00	4.75
Private equity	10.00	8.97
International equities	18.30	7.95
Other investments	18.00	4.92
Total	100.00 %	5.66 %

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	$ 9,452,182	$ 6,187,103	$ 3,466,236
Combined Plan	870	(12,108)	(22,188)
Member-Directed Plan	30	(12)	(30)

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Actuarial Assumptions – OP&F

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

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

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

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

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

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Note: assumptions are geometric.
* levered 2x
** numbers include inflation

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

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	$ 6,918,535	$ 5,194,520	$ 3,733,463

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

NOTE 17 - POSTRETIREMENT BENEFIT PLANS

A. Ohio Public Employees Retirement System

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

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

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

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

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

NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)

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

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

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2017, 2016, and 2015 were $38,309, $72,397, and $69,894, respectively; 89.30% has been contributed for 2017 and 100% has been contributed for 2016 and 2015. The remaining 2017 post-employment health care benefits liability has been reported as due to other governments on the basic financial statements.

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

B. Ohio Police and Fire Pension Fund

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

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

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

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

NOTE 17 - POSTRETIREMENT BENEFIT PLANS - (Continued)

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% and 24.00% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts, one account is for health care benefits under an Internal Revenue Code Section 115 trust and the other account is for Medicare Part B reimbursements administered as an Internal Revenue Code Section 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

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

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

The City's contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers and firefighters were $4,818 and $4,219 for the year ended December 31, 2017, $4,701 and $4,200 for the year ended December 31, 2016, and $4,674 and $3,954, for the year ended December 31, 2015. 100% has been contributed for 2016 and 2015. 87.67% has been contributed for police and 87.80% has been contributed for firefighters for 2017. The remaining 2017 post-employment health care benefits liability has been reported as due to other governments payable on the basic financial statements.

NOTE 18 - 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 changes in fund balance – budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);

(e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,

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

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

Net Change in Fund Balance

	General fund
Budget basis	$ 402,817
Net adjustment for revenue accruals	(41,449)
Net adjustment for expenditure accruals	(130,020)
Net adjustment for other sources/uses	(203)
Funds budgeted elsewhere	(17)
Adjustment for encumbrances	95,994
GAAP basis	$ 327,122

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the unclaimed monies fund.

NOTE 19 - RESTRICTED ASSETS

Refundable electric customer deposits at December 31, 2017 in the amount of $391,473 are presented as restricted assets (refundable cash deposits) on the proprietary fund statement of net position in the electric fund, and in the business-type activities column of the statement of net position. The City also has permissive tax monies on deposit with Auglaize County at December 31, 2017 in the amount of $9,880 presented as restricted assets (cash with fiscal agent) on the governmental fund balance sheet in the motor vehicle permissive tax fund (a nonmajor governmental fund), and in the governmental activities column of the statement of net position.

NOTE 20 - LANDFILL CLOSURE/POSTCLOSURE COSTS

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure costs will be paid only near or after the date the landfill stops accepting waste, the City reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each year end.

The City is in the process of closing the landfill. The landfill closure and postclosure liability of $2,361,497 at December 31, 2017 represents the cumulative amount for closure and postclosure care. The amounts are based on what it would cost to perform all closure and postclosure care in 2017. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City is required by State and federal laws and regulations to provide assurances that financial resources will be available to provide for postclosure care and remediation or containment of environmental hazards at the landfill.

NOTE 21 - CONTRACTUAL COMMITMENTS

At December 31, 2017, the City had the following contractual commitments:

Contractor	Contract Amount	Amount Paid	Contract Balance
American Municipal Power, Inc.	$ 13,977,160	$ (12,467,057)	$ 1,510,103
Celina Landfill	233,000	(227,438)	5,562
Grande De Logement LLC	225,000	(205,700)	19,300
Helms & Sons Excavating	980,729	-	980,729
Jones & Henry Eng Inc.	819,411	(763,674)	55,737
Kohli & Kaliher Associates	245,513	-	245,513
Moody's of Dayton	280,000	-	280,000
Seven Brothers Painting, Inc.	230,300	-	230,300
Total contractual commitments	$ 16,991,113	$ (13,663,869)	$ 3,327,244

NOTE 22 - CONTINGENCIES

A. Grants

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

B. Litigation

The City is not currently a party to any legal proceedings that would have a materially adverse effect on the financial statements at December 31, 2017.

NOTE 23 - OTHER COMMITMENTS

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

Fund	Year End Encumbrances
General fund	$ 81,840
Nonmajor governmental funds	1,276,572
Total	$ 1,358,412

NOTE 24 - FUND BALANCE

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

Fund Balance	General	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Prepayments	$ 44,064	$ 29,307	$ 73,371
Materials and supplies inventory	131,700	31,278	162,978
Unclaimed monies	4,272	-	4,272
Total nonspendable	180,036	60,585	240,621
Restricted:			
Capital projects	-	1,970,004	1,970,004
Transportation projects	-	1,288,023	1,288,023
Community improvements	-	2,184,856	2,184,856
Other purposes	-	34,434	34,434
Total restricted	-	5,477,317	5,477,317
Committed:			
Capital projects	-	1,958,034	1,958,034
Leisure time activity	-	4,836	4,836
Total committed	-	1,962,870	1,962,870
Assigned:			
General government	32,717	-	32,717
Security of persons and property	36,228	-	36,228
Leisure time activity	8,623	-	8,623
Subsequent year appropriations	94,584	-	94,584
Total assigned	172,152	-	172,152
Unassigned (deficit)	2,987,370	(105,404)	2,881,966
Total fund balances	$ 3,339,558	$ 7,395,368	$ 10,734,926

NOTE 25 - TAX ABATEMENTS

As of December 31, 2017, the City provides tax abatements through a Community Reinvestment Area (CRA). This program relates to the abatement of property taxes.

CRA - Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA's are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment in housing is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity's property tax bill.

Tax Abatement Program	City Taxes Abated
Income Tax Abatement	$ 25,522
Total	$ 25,522

NOTE 26 - SUBSEQUENT EVENTS

On April 18, 2018, the City issued Revenue Bonds, Series 2018 in the amount of $5,200,000 to fund improvements to the City's electric system and to refund the Improvement Notes - Series 2017. The bonds carry an interest rate of 3.52% and have a final maturity date of December 1, 2032.

THIS PAGE IS INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ST MARYS, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR YEARS

	2017	2016	2015	2014
Traditional Plan:				
City's proportion of the net pension liability	0.027246%	0.028031%	0.029195%	0.029195%
City's proportionate share of the net pension liability	$ 6,187,103	$ 4,855,323	$ 3,521,243	$ 3,441,710
City's covered payroll	$ 3,519,742	$ 3,442,967	$ 3,586,158	$ 3,441,600
City's proportionate share of the net pension liability as a percentage of its covered payroll	175.78%	141.02%	98.19%	100.00%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	81.08%	86.45%	86.36%
Combined Plan:				
City's proportion of the net pension asset	0.021753%	0.014350%	0.014791%	0.014791%
City's proportionate share of the net pension asset	$ 12,108	$ 6,983	$ 5,694	$ 1,552
City's covered payroll	$ 84,675	$ 51,708	$ 54,067	$ 48,292
City's proportionate share of the net pension asset as a percentage of its covered payroll	14.30%	13.50%	10.53%	3.21%
Plan fiduciary net position as a percentage of the total pension liability	116.55%	116.90%	114.83%	104.56%
Member Directed Plan:				
City's proportion of the net pension asset	0.002962%	0.003142%	n/a	n/a
City's proportionate share of the net pension asset	$ 12	$ 12	n/a	n/a
City's covered payroll	$ 15,375	$ 17,500	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.08%	0.07%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension liability	103.40%	103.91%	n/a	n/a

Note: Information prior to 2014 was unavailable.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ST MARYS, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR YEARS

	2017	2016	2015	2014
City's proportion of the net pension liability	0.08201200%	0.08536300%	0.09329370%	0.09329370%
City's proportionate share of the net pension liability	$ 5,194,520	$ 5,491,504	$ 4,833,003	$ 4,543,695
City's covered payroll	$ 1,780,107	$ 1,701,067	$ 1,864,407	$ 1,706,163
City's proportionate share of the net pension liability as a percentage of its covered payroll	291.81%	322.83%	259.22%	266.31%
Plan fiduciary net position as a percentage of the total pension liability	68.36%	66.77%	72.20%	73.00%

Note: Information prior to 2014 was unavailable.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ST MARYS, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2017	2016	2015	2014
Traditional Plan:				
Contractually required contribution	$ 477,335	$ 422,369	$ 413,156	$ 430,339
Contributions in relation to the contractually required contribution	(477,335)	(422,369)	(413,156)	(430,339)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 3,671,808	$ 3,519,742	$ 3,442,967	$ 3,586,158
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%
Combined Plan:				
Contractually required contribution	$ 12,782	$ 10,161	$ 6,205	$ 6,488
Contributions in relation to the contractually required contribution	(12,782)	(10,161)	(6,205)	(6,488)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 98,323	$ 84,675	$ 51,708	$ 54,067
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%
Member Directed Plan:				
Contractually required contribution	$ 1,519	$ 1,845	$ 2,100	
Contributions in relation to the contractually required contribution	(1,519)	(1,845)	(2,100)	
Contribution deficiency (excess)	$ -	$ -	$ -	
City's covered payroll	$ 15,190	$ 19,421	$ 22,105	
Contributions as a percentage of covered payroll	10.00%	9.50%	9.50%	

Note: Information prior to 2010 for the combined plan was unavailable and information prior to 2015 for the member directed plan was unavailable.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2013	2012	2011	2010	2009	2008
$ 447,408	$ 345,108	$ 339,211	$ 304,273	$ 281,981	$ 258,176
(447,408)	(345,108)	(339,211)	(304,273)	(281,981)	(258,176)
$ -	$ -	$ -	$ -	$ -	$ -
$ 3,441,600	$ 3,451,080	$ 3,392,110	$ 3,412,407	$ 3,470,535	$ 3,688,229
13.00%	10.00%	10.00%	8.92%	8.13%	7.00%

$ 6,278	$ 4,064	$ 4,230	$ 5,066
(6,278)	(4,064)	(4,230)	(5,066)
$ -	$ -	$ -	$ -
$ 48,292	$ 51,119	$ 53,208	$ 52,299
13.00%	7.95%	7.95%	9.69%

CITY OF ST MARYS, OHIO

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	2017	**2016**	**2015**	**2014**
Police:				
Contractually required contribution	$ 183,102	$ 178,621	$ 172,937	$ 194,200
Contributions in relation to the contractually required contribution	(183,102)	(178,621)	(172,937)	(194,200)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 963,695	$ 940,111	$ 910,195	$ 1,022,105
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
Fire:				
Contractually required contribution	$ 198,313	$ 197,399	$ 185,855	$ 197,941
Contributions in relation to the contractually required contribution	(198,313)	(197,399)	(185,855)	(197,941)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 843,885	$ 839,996	$ 790,872	$ 842,302
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2013	2012	2011	2010	2009	2008
$ 146,350	$ 120,533	$ 116,848	$ 115,008	$ 111,325	$ 104,059
(146,350)	(120,533)	(116,848)	(115,008)	(111,325)	(104,059)
$ -	$ -	$ -	$ -	$ -	$ -
$ 921,406	$ 945,357	$ 916,455	$ 902,024	$ 873,137	$ 816,149
15.88%	12.75%	12.75%	12.75%	12.75%	12.75%
$ 159,894	$ 134,482	$ 130,764	$ 126,806	$ 125,202	$ 123,758
(159,894)	(134,482)	(130,764)	(126,806)	(125,202)	(123,758)
$ -	$ -	$ -	$ -	$ -	$ -
$ 784,435	$ 779,606	$ 758,052	$ 735,107	$ 725,809	$ 717,438
20.38%	17.25%	17.25%	17.25%	17.25%	17.25%

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

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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

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

Julian & Grube, Inc.
Serving Ohio Local Governments
333 County Line Rd. West, Westerville, OH 43082 Phone: 614.846.1899 Fax: 614.846.2799

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

City of St. Marys
Auglaize County
101 East Spring Street
St. Marys, Ohio 45885

To the Mayor and 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 St. Marys, Auglaize County, Ohio, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of St. Marys' basic financial statements and have issued our report thereon dated June 21, 2018.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City of St. Marys' 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 of St. Marys' 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 of St. Marys' financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of reasonably assuring whether the City of St. Marys' 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 of St. Marys' internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City of St. Marys' internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Julian & Grube, Inc.

Julian & Grube, Inc.
June 21, 2018

CITY OF ST MARYS

AUGLAIZE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
SEPTEMBER 20, 2018

88 East Broad Street, Fourth Floor, Columbus, Ohio 43215-3506
Phone: 614-466-4514 or 800-282-0370 Fax: 614-466-4490
www.ohioauditor.gov