Certified Public Accountants, A.C.

CITY OF TWINSBURG
SUMMIT COUNTY
Regular Audit
For the Year Ended December 31, 2018

313 Second St.
Marietta, OH 45750
740 373 0056

1907 Grand Central Ave.
Vienna, WV 26105
304 422 2203

150 W. Main St., #A
St. Clairsville, OH 43950
740 695 1569

1310 Market St., #300
Wheeling, WV 26003
304 232 1358

749 Wheeling Ave., #300
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OHIO AUDITOR OF STATE
KEITH FABER

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(800) 282-0370

City Council
City of Twinsburg
10075 Ravenna Road
Twinsburg, Ohio 44087

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

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

Keith Faber
Auditor of State
Columbus, Ohio

December 4, 2019

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SUMMIT COUNTY

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SUMMIT COUNTY

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Certified Public Accountants, A.C.

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INDEPENDENT AUDITOR'S REPORT

July 31, 2019

City of Twinsburg
Summit County
10075 Ravenna Road
Twinsburg, Ohio 44087

To the City Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Twinsburg, Summit County, Ohio, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Street Construction, Maintenance and Repair funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the financial statements, during the year ended December 31, 2018, the Board adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis and schedules of net pension and OPEB liabilities and pension and OPEB 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 July 31, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

The discussion and analysis of the City of Twinsburg's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2018 are as follows:

♦ The assets and deferred outflows of resources of the City of Twinsburg exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $146,011,927. Of this amount, $5,812,693 is restricted in use.

♦ Total assets and deferred outflows decreased by $4,096,386, which represents a decrease of 2 percent over 2017. The primary change that contributed to this decrease was the decrease in deferred outflows related to the City's allocation of the proportionate share of the pension amounts.

♦ Total liabilities and deferred inflows of resources increased by $20,008,751, which represents an increase of 37 percent over 2017. The main factor contributing to this increase was an $16,600,102 increase in long term liabilities which can be attributed mostly to the recording of a $22,122,767 net OPEB liability as a result of the implementation of GASB 75.

♦ In total, net position decreased by $5,343,167 during 2018. This represents a 3.5 percent decrease from 2017.

Using this Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the City of Twinsburg's basic financial statements. The City of Twinsburg's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements – Reporting the City of Twinsburg as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position presents information on all the City of Twinsburg's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the four reported as *net position*. Over time, increase or decrease in net position may serve as a useful indicator of whether the financial position of the City of Twinsburg is improving or deteriorating. However, in evaluating the overall position of the City, nonfinancial factors such as the City's tax base, change in property and municipal income tax laws, and the condition of the capital assets should also be considered.

The statement of activities presents information showing how the City's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused vacation leave).

Both the statement of net position and the statement of activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

In the statement of net position and the statement of activities, we divide the City into two kinds of activities:

- Governmental activities: most of the City's basic services are reported here, including the police, fire, street maintenance, parks and recreation, and general administration. Municipal income tax, state and county taxes, licenses, permits and charges for services finance most of these activities.

- Business-type activities: the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's sewer system, fitness center, golf course, and community theater, are reported here.

Fund Financial Statements - Reporting the City of Twinsburg'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 objects. The City of Twinsburg, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Twinsburg can be divided into two categories: governmental funds and proprietary funds.

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 the balance 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. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all *other financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds.

The City maintains 22 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the general fund, street construction, maintenance and repair fund, park debt service fund, and the capital improvement fund, all of which are considered to be major funds. The remaining funds are combined and presented within the column titled other governmental funds.

Proprietary Funds: The City of Twinsburg maintains enterprise funds that 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 sewer system, fitness center, golf course, and other business type activity. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 27 of this report.

Government-wide Financial Analysis - City of Twinsburg as a Whole

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017 (Restated)	2018	2017 (Restated)	2018	2017 (Restated)
Assets						
Current and Other Assets	$ 21,589,515	$ 25,483,926	$ 3,491,415	$ 5,844,286	$ 25,080,930	$ 31,328,212
Capital Assets, Net	132,906,301	132,852,405	54,273,594	51,037,889	187,179,895	183,890,294
Net Pension Asset	59,803	24,463	30,412	12,440	90,215	36,903
Total Assets	154,555,619	158,360,794	57,795,421	56,894,615	212,351,040	215,255,409
Deferred Outflows of Resources						
Deferred Charge on Refunding	63,949	85,266	-	-	63,949	85,266
Pension	4,431,310	6,856,028	900,459	1,848,412	5,331,769	8,704,440
OPEB	2,083,056	92,570	203,715	32,357	2,286,771	124,927
Total Deferred Outflows	6,578,315	7,033,864	1,104,174	1,880,769	7,682,489	8,914,633
Liabilities						
Current and Other Liabilities	865,614	1,155,757	386,446	385,430	1,252,060	1,541,187
Long-Term Liabilities:						
Due Within One Year	2,310,989	2,129,224	148,495	114,561	2,459,484	2,243,785
Other Amounts Due Within One Year	10,142,186	11,336,339	6,585,172	6,637,299	16,727,358	17,973,638
Net Pension Liability	23,245,086	26,168,234	3,374,930	4,728,167	26,620,016	30,896,401
Net OPEB Liability	19,833,683	16,725,938	2,289,084	2,076,159	22,122,767	18,802,097
Total Liabilities	56,397,558	57,515,492	12,784,127	13,941,616	69,181,685	71,457,108
Deferred Inflows of Resources						
Property Taxes	1,100,254	1,097,164	-	-	1,100,254	1,097,164
Pension	2,229,318	185,893	826,258	74,783	3,055,576	260,676
OPEB	513,566	-	170,521	-	684,087	-
Total Deferred Inflows	3,843,138	1,283,057	996,779	74,783	4,839,917	1,357,840
Net Position						
Net Investment in Capital Assets	122,829,183	121,726,674	50,539,347	47,300,265	173,368,530	169,026,939
Restricted	5,812,693	6,381,156	-	-	5,812,693	6,381,156
Unrestricted (Deficit)	(27,748,638)	(21,511,721)	(5,420,658)	(2,541,280)	(33,169,296)	(24,053,001)
Total Net Position	$ 100,893,238	$ 106,596,109	$ 45,118,689	$ 44,758,985	$ 146,011,927	$ 151,355,094

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

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

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

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

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

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

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

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

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from $123,229,477 to $106,596,109 for governmental activities and $46,887,587 to $44,843,785 for business-type activities. An additional restatement for capital assets further reduced beginning net position for business-type activities by $84,800 to $44,758,985.

The largest portion (99 percent) of the City's net position reflects its net investment in capital assets. Capital assets include construction in progress, land, land improvements, buildings and improvements, machinery and equipment, vehicles and infrastructure. The City uses those capital assets to provide services to its citizens; consequently, they are not available for future spending. Net investment in capital assets as of December 31, 2018, was $173,368,530. Although the City's investment is reported net of related debt, it should be noted that resources to repay the debt must be provided from other sources since capital assets cannot be used to liquidate these liabilities.

An additional portion of the City's net position (4 percent) represents resources that have been restricted on how they may be used. The remaining balance of unrestricted net position of a negative $33,169,296 may be used to meet the City's ongoing obligations to citizens and creditors.

Total net position of the City decreased $5,343,167. The following factors were primarily responsible for this decrease:

- A decrease in cash and cash equivalents of $5,315,262
- An increase in capital assets, net of $3,204,081
- A decrease in deferred outflows of resources – pension of $3,372,671
- An increase in deferred outflows of resources – OPEB of $2,161,844
- A decrease in net pension liability of $4,276,385
- An increase in net OPEB liability of $3,320,670
- An increase in deferred inflows of resources-pension of $2,794,900
- An increase in deferred inflows of resources-OPEB of $684,087
- A decrease in other long-term liabilities of $1,030,581

The net position of business-type activities increased by 1 percent in 2018. The City generally can only use the net position to finance the continuing operations of the sewer system, fitness center, golf course, and community theater operations.

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

Table 2 - Change in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Program Revenues:						
Charges for Services	$ 1,860,510	$ 2,225,503	$ 6,283,297	$ 5,743,460	$ 8,143,807	$ 7,968,963
Operating Grants and and Contributions	518,401	245,367	-	-	518,401	245,367
Capital Grants and and Contributions	690,066	4,802,950	473,517	-	1,163,583	4,802,950
Total Program Revenues	3,068,977	7,273,820	6,756,814	5,743,460	9,825,791	13,017,280
General Revenues:						
Property and Other Local Taxes	1,265,690	1,246,135	-	-	1,265,690	1,246,135
Municipal Income Taxes	21,584,620	22,749,862	-	-	21,584,620	22,749,862
Grants and Entitlements not Restricted to Specific Programs	1,761,907	1,449,985	-	-	1,761,907	1,449,985
Investment Income	178,584	137,362	-	-	178,584	137,362
Gain on Sale of Assets	-	-	-	-	-	-
Miscellaneous	1,041,574	836,174	25,766	21,553	1,067,340	857,727
Total General Revenues	25,832,375	26,419,518	25,766	21,553	25,858,141	26,441,071
Total Revenues	28,901,352	33,693,338	6,782,580	5,765,013	35,683,932	39,458,351
Program Expenses						
General Government	6,510,387	7,433,264	-	-	6,510,387	7,433,264
Security of Persons and Property	11,930,391	11,896,459	-	-	11,930,391	11,896,459
Public Health and Welfare	208,609	208,142	-	-	208,609	208,142
Transportation	9,706,605	8,997,784	-	-	9,706,605	8,997,784
Leisure Time Activities	1,389,613	1,404,835	-	-	1,389,613	1,404,835
Community Development	2,732,406	3,275,867	-	-	2,732,406	3,275,867
Basic Utility Services	90,476	97,117	-	-	90,476	97,117
Interest and Fiscal Charges	180,473	220,986	-	-	180,473	220,986
Sewer	-	-	3,635,806	4,567,087	3,635,806	4,567,087
Fitness Center	-	-	2,393,208	2,397,227	2,393,208	2,397,227
Golf Course	-	-	2,187,772	1,487,776	2,187,772	1,487,776
Other Business-Type Activities	-	-	61,353	40,779	61,353	40,779
Total Program Expenses	32,748,960	33,534,454	8,278,139	8,492,869	41,027,099	42,027,323
Increase (Decrease) in Net Position Before Transfers	(3,847,608)	158,884	(1,495,559)	(2,727,856)	(5,343,167)	(2,568,972)
Transfers	(1,855,263)	(1,794,150)	1,855,263	1,794,150	-	-
Change in Net Position	(5,702,871)	(1,635,266)	359,704	(933,706)	(5,343,167)	(2,568,972)
Net Position, Beginning of Year - Restated (See Note 3)	106,596,109	N/A	44,758,985	N/A	151,355,094	N/A
Net Position, End of Year	$100,893,238	$106,596,109	$45,118,689	$44,758,985	$146,011,927	$151,355,094

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $124,927 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contributions is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of $1,872,450. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

Total 2018 program expenses under GASB 75	$ 41,027,099
OPEB expense under GASB 75	(1,872,450)
2018 contractually required contribution	29,537
Adjusted 2018 program expenses	39,184,186
Total 2017 program expenses under GASB 45	42,027,323
Decrease in program expenses not related to OPEB	$ (2,843,137)

Governmental Activities

Several revenue sources fund our governmental activities with the City municipal income tax being the largest contributor. The City's municipal income tax rate is 2 percent. Residents of the City who work in another municipality and pay the withholding tax for that municipality will receive a 100 percent tax credit on up to 2 percent for municipal income taxes paid to their workplace municipality. During 2018, the revenues generated from municipal income tax collections amounted to $21,584,620. The City continues to enforce a delinquent letter program and the subpoena program to ensure compliance with the local tax laws.

Security of persons and property, transportation, community development and general government are the major activities of the City generating 94 percent of the governmental expenses. Security of persons and property includes the cost of providing police, dispatch, fire and paramedic services. Techniques such as defensive and emergency vehicle operations training, EMS continuing education classes, technical skills evaluation, practical drills, and on-line education help keep the men and women updated to perform their jobs most efficiently. The total cost of operating the fire and EMS department during 2018 was $3,832,450 within the general fund. During 2018, the total cost of operating the police department was $3,867,525 within the general fund. Both the police and fire departments place strong emphasis on the training of their employees in order to keep up with the rapidly changing laws, practices and technology.

General government expense accounted for $6,510,387, or 20 percent, of the governmental expenses. Expenses for this program decreased $922,877 compared to 2017. The decrease in expense is due to a combined decrease in health care and workers compensation expenditures, decreased economic development reimbursement expenditures, and decreases in repairs and maintenance expenditures that did not meet capitalization threshold during the current year.

Business-Type Activities

The business-type activities of the City, which include the City's sewer system, fitness center, golf course and community theater operations, increased the City's net position by $359,704.

Program expenses exceeded program revenues in the amount of $213,505 for the sewer system for 2018.

Program expenses exceeded program revenue in the amount of $817,631 for the fitness center operations for 2018.

Program expenses exceeded program revenue in the amount of $471,883 for the golf course operations for 2018.

Program revenues exceeded program expenses in the amount of $18,306 for the other business-type activity operations for 2018.

The City's Funds

Governmental Funds

Information about the City's major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of $34,391,398 and expenditures and other financing uses of $36,745,518.

The net change in fund balance for the year was most significant in the general fund showing a decrease in fund balance of $1,938,150 in 2018 which decreases the beginning fund balance of $14,238,870 to $12,300,720. The street, construction, repair and maintenance fund reflected an increase of $8,929. Overall expenditures and other financing used exceeded revenues and other financing sources by $2,354,120.

General Fund Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on the basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund. An annual appropriation budget is legally required to be prepared for all funds of the City other than agency funds. City Council is provided with a detailed line item budget for all departments and after a discussion at a regularly held City Council meeting, which is open to the public; the budget is adopted by City Council. City Council must approve legislation for any revisions in the budget that alter totals or the total appropriations for any department or fund. The finance department watches all the departmental budgets closely to monitor compliance with allocated budgets and provides monthly reports to City Council depicting monthly and year-to-date activity.

For the general fund, final budget basis revenue, excluding other financing sources was $3,186,103 more than the original budget estimates of $23,459,057. The City continues the conservative practice of estimating low in the tax, intergovernmental revenue and interest revenue areas. The final appropriations of $24,351,043, excluding other financing uses, was sufficient to meet the expenditures for the year, which ended up at $23,398,424. The final budget of expenditures, excluding other financing uses, increased $844,693 from the original budget.

The City's ending unobligated budgetary fund balance was $5,131,985 higher than the final budgeted amount.

Business-Type Funds

The City's major enterprise funds consist of the sewer fund, fitness center fund, and golf course fund. The basic financial statements for the major funds are included in this report.

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the sewer, fitness center, and golf course. The basic proprietary fund financial statements can be found on pages 24 through 26 of this report.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2018, the City of Twinsburg had $187,179,895, invested in land and land improvements, buildings and improvements, machinery and equipment, vehicles, and infrastructure, net of accumulated depreciation.

Table 3 shows fiscal 2018 balances of capital assets as compared to the 2017 balances:

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Construction in Progress	$ -	$ -	$ -	$ 3,469,768	$ -	$ 3,469,768
Land	23,712,390	23,712,390	2,596,350	2,596,350	26,308,740	26,308,740
Land Improvements	1,749,585	1,855,238	3,509,008	3,596,252	5,258,593	5,451,490
Buildings and Improvement	5,743,837	5,958,779	19,669,908	13,240,164	25,413,745	19,198,943
Machinery and Equipment	2,066,751	2,045,216	2,121,548	1,619,681	4,188,299	3,664,897
Vehicles	3,270,915	3,097,369	272,079	306,033	3,542,994	3,403,402
Infrastructure:						
Roads	37,897,827	37,694,325	-	-	37,897,827	37,694,325
Water Mains	28,123,577	28,382,340	-	-	28,123,577	28,382,340
Storm Sewers and Culvert	29,311,593	28,991,004	-	-	29,311,593	28,991,004
Traffic Signs and Signals	587,196	650,940	-	-	587,196	650,940
Street Lights	442,630	464,804	-	-	442,630	464,804
Sewer Lines	-	-	26,104,701	26,294,441	26,104,701	26,294,441
Total Capital Assets	$132,906,301	$132,852,405	$54,273,594	$51,122,689	$187,179,895	$183,975,094

The City has an aggressive stance on maintaining its assets, including infrastructure, in excellent condition. Vehicles such as fire trucks and ambulances are planned for well in advance by the respective department heads and a scheduled maintenance and replacement timetable is followed to provide peak performance for the maximum time frame. Vehicles no longer in service are either traded in or sold at an auction or online.

With regards to the infrastructure, the City's engineering department maintains a comprehensive listing of all the streets, bridges, culverts and sewer lines in the City. As part of the City's annual road maintenance program, the engineer evaluates the condition of each street after each winter and prepares a list of streets to be either resurfaced or crack sealed and in the case of concrete roads, either replaced or repaired. After approval from City Council, the projects are bid in early to late spring to get the best possible pricing from contractors. This program is funded by the capital improvement fund of the City. Additional information concerning the City's capital assets can be found in the Note 8 to the financial statements.

Debt

At December 31, 2018, the City of Twinsburg had $67,929,625 in outstanding debt, compensated absences, claims payable, net pension liability, and net OPEB liability, of which $3,680,780 was in general obligation bonds. Table 4 summarizes the outstanding obligations of the City.

Table 4
Outstanding Long-term Obligations at Year End

	Governmental Activities		Business-Type Activities		Total	
	2018	2017 (Restated)	2018	2017 (Restated)	2018	2017 (Restated)
General Obligation Bonds	$ 3,680,780	$ 4,952,707	$ -	$ -	$ 3,680,780	$ 4,952,707
Long Term Notes	-	-	6,138,000	6,138,000	6,138,000	6,138,000
Special Assessment Bonds	98,000	116,000	-	-	98,000	116,000
OPWC Loans	5,977,031	5,796,643	257,695	267,856	6,234,726	6,064,499
Capital Leases	653,295	428,088	-	-	653,295	428,088
Claims	46,095	47,643	-	-	46,095	47,643
Net Pension Liability	23,245,086	26,168,234	3,374,930	4,728,167	26,620,016	30,896,401
Net OPEB Liability	19,833,683	16,725,938	2,289,084	2,076,159	22,122,767	18,802,097
Compensated Absences	1,997,974	2,124,481	337,972	346,004	2,335,946	2,470,485
Total	$55,531,944	$56,359,734	$12,397,681	$13,556,186	$67,929,625	$69,915,920

General obligation bonds are composed of park land and conservation, senior citizens center, golf course and road improvements. The special assessment bonds consist of the taxpayer portion of water, sewer, and road improvements. The energy equipment loan is composed of equipment purchased for energy conservation. The OPWC loans are composed of road improvements.

Other obligations include accrued compensated absences and operating and capital lease obligations. Additional information concerning the City's debt can be found in Notes 11 and 12 to the financial statements.

2018 Economic and Community Development Accomplishments

Regionally, an expanding economy with increased industrial activity continues to generate new jobs and increase the need for industrial space. Industrial space vacancies in Twinsburg continue to be running at an all-time low at about 3% of total space. As 2019 gets underway the former Chrysler Stamping Plant property, renamed Cornerstone Business Park, will have over 1,500,000 square feet. of industrial building space. Approximately 650,000 square feet of this will accommodate O'Reilly Auto Enterprises and a multi-tenant speculative industrial building, increasing employment in the park to over 1,200 jobs. The industrial sector continues to be Twinsburg's strongest asset. A drive around the City will show several job available signs. The following is a summary of the year's economic development activity.

Cornerstone Business Park (former Chrysler Stamping Plant)

- Cornerstone Business Park is home to Vistar/PFG, FedEx, Amazon, TTW (Bridgestone), Berlin Packaging, Corbel Plastics, Dunkin Donuts Consumer Products and soon,
- O'Reilly Auto Enterprises. Tenants have yet to be identified for the 248,000 s.f. speculative industrial building. Approximately 23 acres remain in the park for development.
- O'Reilly Auto Enterprises, LLC will soon occupy a 404,000 s.f. distribution facility that will serve a multi-state region and employ over 350. It is anticipated that this addition will bring more than $11 million in new payroll and its associated income tax revenue.
- Scannell Properties is constructing a 248,000 square feet speculative multi-tenant industrial building which is on the same completion timeline as the O'Reilly building. This building will be similar to the building constructed three years ago which is now fully occupied.

New and Expanding Businesses

During the 2018 calendar year a number of businesses received occupancy permits as a result of moving into the City or expanding their facilities. New or expanding businesses will add about 160 new employees.

Businesses new to Twinsburg or expanding in 2018 include:

- Morgan Technical Ceramics / Certech – 2201 Pinnacle Parkway
- Cleveland Clinic – 2365 Edison Blvd.
- Call Flooring – 10116 Bissell Drive
- Fast Signs – 8900 Darrow Road #101
- R Fun House – 9081 Darrow Road
- D old Granite LLC – 1953 Case Pkwy.
- Twinsburg Warehouse Bargains – 9241 Ravenna Road
- Precision PMD – 2021 Midway Dr.
- Riwaaz Boutique – 9783 Ravenna Road
- Intigral – 9280 Dutton Drive
- Twinsburg Music Connection – 9785 Ravenna Road
- Hope Family Counseling – 8984 Darrow Road
- Twin Mask Performing Arts – 9077 Church Street
- Eighty Eight Photo – 9263 Ravenna Road
- Nails Creation – 8900 Darrow Road
- Ohio Mindful Message – 2542 E. Aurora Road
- Wellspring Studio – 9723 Ravenna Road
- J and B Appliance, LLC – 9700 Ravenna Road
- X Caliber Ammunition, LLC – 2069 Midway Drive
- Senior Helpers – 8972 Ravenna Road
- No Comp Tactical – 10110 Corbetts Lane
- Fourth Wall Scenic – 9087 Dutton Drive
- Jordan Construction Inc. – 2132 Case Parkway
- Zoom Car Wash – 8581 Darrow Road

Central Twinsburg Redevelopment and the Twinsburg Community Improvement Corporation

Efforts are underway by the City and the Twinsburg Community Improvement Corporation (TCIC) to encourage new investment in the central area. The TCIC is contributing to this effort by assembling key properties. The former Twinsburg School site has been cleared, making 5.5 acres of land available for mixed use development and public open space. In the same area a 2.1-acre tract of land has been acquired. Efforts continue to involve additional adjacent properties to achieve a comprehensive and transformational mixed-use development in the heart of the City.

The TCIC has acquired properties on the north side of E. Aurora Road, which were investor owned and rented. This purchase will enable the TCIC to control the type of development that will occur on this important gateway to the Square.

Connecting Communities

Twinsburg has completed an analysis of its recreational trail system through a grant from the Akron Metropolitan Transportation Study (AMATS). Study recommendations propose to connect trail segments and provide connections to key destinations (high school, library, rec. center, etc.) and tie all to central Twinsburg. A digital copy of this final report is available from the City's website. The City will be taking incremental steps to implement several of the recommendations. This activity will further enhance the quality of life in the City and contribute to the community's image, public health and housing values.

Housing Starts

Residential housing demand remains strong in the community. During the year 241 point-of-sale inspections were provided by the Building Department to accommodate the sale of single-family homes. Homes in Twinsburg sell rapidly and very few are on the market for more than a month or two.

A total of 10 new houses were constructed, adding about $3,000,000 in market value to the community. Three new small residential subdivisions were approved during 2018 where homes will be constructed this year. A total of 91 lots are available. As a result, housing starts are likely to increase during 2019.

Current Related Financial Activities

The City of Twinsburg, in the past, faced some challenging financial years; however with the development of the Cornerstone Project and the addition of several new businesses in the City, we have begun to see growth in employment. As the economy continues to improve we expect to see increased employment and increased income tax revenue. On a cash basis, the municipal income tax revenue represents 86% of the City's total general fund revenue. The net income tax collections (gross collections less refunds) for 2018 were $21,594,620 compared to 2017 collections of $22,749,862. This reflects an decrease over last year of 5 percent.

The City continues to strive to operate lean and under budget. Just as in 2017, the city was awarded several grants to help support the cost of major capital projects and as a result; once again the City was able to end the year strong. The City will continue to make every effort to build up the reserves while operating lean and efficient while holding at the income tax rate of 2 percent at this time.

The City's current credit rating assigned by Moody's still holds at Aa2. The Aa2 rating was reaffirmed in December of 2018 due to the demonstrations of financial stability and the ability to capitalize on development opportunities. The City's system of budgeting and internal controls is well regarded. As a continued effort to stay above the economic challenges, the Administration and City Council meet frequently to discuss current operating conditions, the economy and community development. The City will continue to be proactive by strategizing to maintain solvency not just for today, but for the future.

Contacting the City of Twinsburg's Finance Department

This financial report is designed to provide our citizen's, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for all money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact Director of Finance, Sarah Buccigross, City of Twinsburg, 10075 Ravenna Road, Twinsburg, Ohio 44087, telephone (330) 425-7161, or web site at my.twinsburg.com.

City of Twinsburg, Ohio
Statement of Net Position
December 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Twinsburg Community Improvement Corporation
Assets				
Equity in Pooled Cash and Cash Equivalents	$ 14,052,008	$ 2,634,046	$ 16,686,054	$ 35,157
Cash and Cash Equivalents:				
With Escrow Agents	206,208	-	206,208	-
Restricted Cash	71,530	-	71,530	-
Receivables:				
Accounts	192,124	676,724	868,848	-
Accrued Interest	44,190	-	44,190	-
Intergovernmental	544,107	-	544,107	-
Municipal Income Taxes	4,863,110	-	4,863,110	-
Property Taxes	1,154,112	-	1,154,112	-
Contributions	-	-	-	95,078
Special Assessments	2,807	43,974	46,781	-
Prepaid Items	-	-	-	1,069
Materials and Supplies Inventory	459,319	136,671	595,990	-
Land Held for Investment/Sale	-	-	-	875,078
Nondepreciable Capital Assets	23,712,390	2,596,350	26,308,740	-
Depreciable Capital Assets (Net)	109,193,911	51,677,244	160,871,155	-
Net Pension Asset	59,803	30,412	90,215	-
Total Assets	154,555,619	57,795,421	212,351,040	1,006,382
Deferred Outflows of Resources				
Deferred Charges on Refunding	63,949	-	63,949	-
Pensions	4,431,310	900,459	5,331,769	-
OPEB	2,083,056	203,715	2,286,771	-
Total Deferred Outflows of Resources	6,578,315	1,104,174	7,682,489	-
Liabilities				
Accounts Payable	64,051	68,382	132,433	-
Accrued Wages and Benefits	298,813	74,147	372,960	-
Intergovernmental Payable	344,045	54,426	398,471	-
Claims Payable	137,650	20,288	157,938	-
Accrued Interest Payable	21,055	62,920	83,975	-
Unearned Revenue	-	106,283	106,283	-
Long Term Liabilities:				
Due Within One Year	2,310,989	148,495	2,459,484	55,000
Due in More Than One Year:				
Net Pension Liability	23,245,086	3,374,930	26,620,016	-
Net OPEB Liability	19,833,683	2,289,084	22,122,767	-
Other Amounts Due in More than One Year	10,142,186	6,585,172	16,727,358	160,417
Total Liabilities	56,397,558	12,784,127	69,181,685	215,417
Deferred Inflows of Resources				
Property Taxes	1,100,254	-	1,100,254	-
Pensions	2,229,318	826,258	3,055,576	-
OPEB	513,566	170,521	684,087	-
Total Deferred Inflows of Resources	3,843,138	996,779	4,839,917	-
Net Position				
Net Investment in Capital Assets	122,829,183	50,539,347	173,368,530	-
Restricted for:				
Capital Projects	2,199,163	-	2,199,163	-
Debt Service	584,719	-	584,719	-
Other Purposes	3,028,811	-	3,028,811	-
Unrestricted (Deficit)	(27,748,638)	(5,420,658)	(33,169,296)	790,965
Total Net Position	$ 100,893,238	$ 45,118,689	$ 146,011,927	$ 790,965

The notes to the basic financial statements are an integral part of this statement.

City of Twinsburg, Ohio

Statement of Activities

For the Year Ended December 31, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Twinsburg Community Improvement Corporation
Primary Government								
Governmental Activities:								
General Government	$ 6,510,387	$ 780,749	$ -	$ 55,674	$ (5,673,964)	$ -	$ (5,673,964)	$ -
Security of Persons and Property	11,930,391	406,697	30,192	-	(11,493,502)	-	(11,493,502)	-
Public Health and Welfare	208,609	-	-	-	(208,609)	-	(208,609)	-
Transportation	9,706,605	-	469,374	452,444	(8,784,787)	-	(8,784,787)	-
Leisure Time Activities	1,389,613	253,342	18,835	-	(1,117,436)	-	(1,117,436)	-
Community Development	2,732,406	419,722	-	181,948	(2,130,736)	-	(2,130,736)	-
Basic Utility Service	90,476	-	-	-	(90,476)	-	(90,476)	-
Interest and Fiscal Charges	180,473	-	-	-	(180,473)	-	(180,473)	-
Total Governmental Activities	32,748,960	1,860,510	518,401	690,066	(29,679,983)	-	(29,679,983)	-
Business-Type Activities								
Sewer	3,635,806	3,422,301	-	-	-	(213,505)	(213,505)	-
Fitness Center	2,393,208	1,575,577	-	-	-	(817,631)	(817,631)	-
Golf Course	2,187,772	1,242,372	-	473,517	-	(471,883)	(471,883)	-
Community Theater	61,353	43,047	-	-	-	(18,306)	(18,306)	-
Total Business-Type Activities	8,278,139	6,283,297	-	473,517	-	(1,521,325)	(1,521,325)	-
Total - Primary Government	$ 41,027,099	$ 8,143,807	$ 518,401	$ 1,163,583	$ (29,679,983)	$ (1,521,325)	$ (31,201,308)	$ -
Component Unit								
Twinsburg Community Improvement Corporation	$ 46,205	$ 12,597	$ 95,078	$ -	$ -	$ -	$ -	$ 61,470
General Revenues								
Property and Other Local Taxes Levied for:								
General Purposes					531,901	-	531,901	-
Debt Service					733,789	-	733,789	-
Municipal Income Taxes Levied for General Purposes					21,584,620	-	21,584,620	-
Grants and Entitlements not Restricted to Specific Programs					1,761,907	-	1,761,907	-
Investment Income					178,584	-	178,584	-
Miscellaneous Income					1,041,574	25,766	1,067,340	352
Total General Revenues					25,832,375	25,766	25,858,141	352
Net Transfers					(1,855,263)	1,855,263	-	-
Change in Net Position					(5,702,871)	359,704	(5,343,167)	61,822
Net Position Beginning of Year - Restated (See Note 3)					106,596,109	44,758,985	151,355,094	729,143
Net Position End of Year					$ 100,893,238	$ 45,118,689	$ 146,011,927	$ 790,965

The notes to the basic financial statements are an integral part of this statement.

City of Twinsburg, Ohio

Balance Sheet
Governmental Funds
December 31, 2018

	General	Street Construction Maintenance and Repair	Park Debt Service	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	$ 8,877,547	$ 1,654,124	$ 43,390	$ 1,562,760	$ 1,914,187	$ 14,052,008
Cash and Cash Equivalents:						
With Escrow Agents	-	-	-	206,208	-	206,208
Restricted Cash	440	-	-	-	71,090	71,530
Receivables:						
Accounts	167,124	-	-	25,000	-	192,124
Accrued Interest	44,190	-	-	-	-	44,190
Intergovernmental	132,305	313,226	42,251	-	56,325	544,107
Municipal Income Taxes	4,863,110	-	-	-	-	4,863,110
Property Taxes	-	-	791,340	-	362,772	1,154,112
Special Assessments	2,807	-	-	-	-	2,807
Materials and Supplies Inventory	459,319	-	-	-	-	459,319
Total Assets	$ 14,546,842	$ 1,967,350	$ 876,981	$ 1,793,968	$ 2,404,374	$ 21,589,515
Liabilities						
Accounts Payable	$ 64,051	$ -	$ -	$ -	$ -	$ 64,051
Accrued Wages & Benefits	298,813	-	-	-	-	298,813
Intergovernmental Payable	207,826	-	-	-	136,219	344,045
Claims Payable	137,650	-	-	-	-	137,650
Total Liabilities	708,340	-	-	-	136,219	844,559
Deferred Inflows of Resources						
Deferred Inflows - Property Taxes	-	-	754,226	-	346,028	1,100,254
Unavailable Revenue	1,537,782	208,289	79,365	-	52,694	1,878,130
Total Deferred Inflows of Resources	1,537,782	208,289	833,591	-	398,722	2,978,384
Fund Balances						
Nonspendable	460,020	-	-	-	-	460,020
Restricted	-	1,759,061	43,390	6,250	1,222,350	3,031,051
Committed	-	-	-	-	688,701	688,701
Assigned	3,678,050	-	-	1,787,718	-	5,465,768
Unassigned (Deficit)	8,162,650	-	-	-	(41,618)	8,121,032
Total Fund Balances	12,300,720	1,759,061	43,390	1,793,968	1,869,433	17,766,572
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 14,546,842	$ 1,967,350	$ 876,981	$ 1,793,968	$ 2,404,374	$ 21,589,515

The notes to the basic financial statements are an integral part of this statement.

City of Twinsburg, Ohio

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2018

Total Governmental Fund Balances		$	17,766,572
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds			132,906,301
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:			
Property & Other Local Taxes	53,858		
Municipal Income Taxes	1,312,847		
Special Assessments	2,807		
Charges for Services	110,578		
Intergovernmental	353,850		
Investment Income	44,190		
Total			1,878,130
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.			(21,055)
Deferred charges on refunding related to the issuance of long-term refunding debt that will be amortized over the life of the debt on the statement of net position.			63,949
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.			
Deferred outflows of resources related to pensions:			
Pension	4,431,310		
OPEB	2,083,056		
Total			6,514,366
Deferred inflows of resources related to pensions and OPEB:			
Pension	(2,229,318)		
OPEB	(513,566)		
Total			(2,742,884)
Long-term liabilities, including compensated absences payable, are not due and payable in the current period and therefore are not reported in the funds:			
General Obligation Bonds	(3,555,000)		
Special Assessment Bonds	(98,000)		
OPWC Loans Payable	(5,977,031)		
Unamortized Premium on Bonds	(125,780)		
Capital Leases	(653,295)		
Claims Payable	(46,095)		
Compensated Absences	(1,997,974)		
Net Pension Liability	(23,245,086)		
Net Pension Asset	59,803		
Net OPEB Liability	(19,833,683)		
Total			(55,472,141)
Net Position of Governmental Activities		$	100,893,238

The notes to the basic financial statements are an integral part of this statement.

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

	General	Street Construction Maintenance and Repair	Park Debt Service	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues						
Property and Other Local Taxes	$ -	$ -	$ 740,935	$ -	$ 334,256	$ 1,075,191
Municipal Income Taxes	22,720,517	-	-	-	-	22,720,517
Other Local Taxes	199,215	-	-	-	-	199,215
Intergovernmental	288,806	903,245	100,030	55,674	978,972	2,326,727
Charges for Services	1,184,146	-	-	-	28,015	1,212,161
Licenses & Permits	657,524	-	-	-	-	657,524
Fines & Forfeitures	111,169	-	-	-	4,474	115,643
Investment Income	175,284	-	-	-	-	175,284
Miscellaneous	1,198,243	-	-	23,467	1,812	1,223,522
Total Revenues	26,534,904	903,245	840,965	79,141	1,347,529	29,705,784
Expenditures						
Current Operations and Maintenance:						
General Government	6,241,481	-	10,689	-	88,822	6,340,992
Security of Persons and Property	8,748,542	-	-	-	1,243,925	9,992,467
Public Health and Welfare	208,609	-	-	-	-	208,609
Transportation	4,981,824	2,328,203	-	-	1,259,328	8,569,355
Leisure Time Activities	1,057,577	-	-	-	58,382	1,115,959
Community Development	1,467,848	-	-	-	-	1,467,848
Basic Utility Service	90,476	-	-	-	-	90,476
Capital Outlay	-	-	-	1,371,808	-	1,371,808
Debt Service:						
Principal Retirement	-	-	725,000	238,086	697,499	1,660,585
Interest and Fiscal Charges	-	-	106,463	18,832	79,427	204,722
Total Expenditures	22,796,357	2,328,203	842,152	1,628,726	3,427,383	31,022,821
Excess of Revenues Over (Under) Expenditures	3,738,547	(1,424,958)	(1,187)	(1,549,585)	(2,079,854)	(1,317,037)
Other Financing Sources (Uses)						
Inception of Capital Lease	-	-	-	463,293	-	463,293
Proceeds from OPWC Loan	46,000	308,887	-	-	-	354,887
Transfers In	-	1,125,000	-	960,000	1,782,434	3,867,434
Transfers Out	(5,722,697)	-	-	-	-	(5,722,697)
Total Financing Sources (Uses)	(5,676,697)	1,433,887	-	1,423,293	1,782,434	(1,037,083)
Net Change in Fund Balance	(1,938,150)	8,929	(1,187)	(126,292)	(297,420)	(2,354,120)
Fund Balance Beginning of Year	14,238,870	1,750,132	44,577	1,920,260	2,166,853	20,120,692
Fund Balance End of Year	$ 12,300,720	$ 1,759,061	$ 43,390	$ 1,793,968	$ 1,869,433	$ 17,766,572

The notes to the basic financial statements are an integral part of this statement.

City of Twinsburg, Ohio

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds		$	(2,354,120)
Amounts reported for governmental activities in the statement of activities are different because:			
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.			
Capital Asset Additions	4,156,761		
Contributed Capital - Donated Assets	452,444		
Current Year Depreciation	(4,255,309)		
Total			353,896
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.			(300,000)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Property & Other Local Taxes	(8,716)		
Municipal Income Taxes	(1,135,897)		
Special Assessments	1,577		
Charges for Services	(126,395)		
Intergovernmental	9,255		
Investment Income	3,300		
Total			(1,256,876)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			1,660,585
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports the impact as deferred outflows.			
Direct contributions			
Pension	2,074,321		
OPEB	29,537		
Total			2,103,858
Except for amounts reported as deferred inflows/outflows, changes in net pension/OPEB liability impact pension/OPEB expense in the statement of activities.			
Pension	(3,583,976)		
OPEB	(1,660,362)		
Total			(5,244,338)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.			
Compensated Absences	126,507		
Claims Payable	1,548		
Total			128,055
Governmental funds report premiums and deferred outflows as expenditures, whereas these amounts are deferred and amortized in the statement of activities.			
Amortization of Deferred Charge on Refunded Bonds	(21,317)		
Amortization of Bond Premiums	41,928		
Total			20,611
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.			3,638
Other financing sources in the governmental funds increase the long-term liabilities in the statement of net position.			
OPWC Loan Issued	(354,887)		
Inception of Capital Lease	(463,293)		
Total			(818,180)
Change in Net Position of Governmental Activities		$	(5,702,871)

The notes to the basic financial statements are an integral part of this statement.

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

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Municipal Income Taxes	$ 20,000,000	$ 20,000,000	$ 22,816,024	$ 2,816,024
Other Local Taxes	195,000	195,000	190,156	(4,844)
Intergovernmental	307,107	307,107	289,116	(17,991)
Charges for Services	1,198,550	1,198,550	1,190,415	(8,135)
Licenses & Permits	739,595	739,595	657,524	(82,071)
Fines & Forfeitures	106,950	106,950	103,307	(3,643)
Investment Income	200,000	200,000	224,551	24,551
Other	711,855	711,855	1,174,067	462,212
Total Revenues	23,459,057	23,459,057	26,645,160	3,186,103
Expenditures				
Current:				
General Government	6,668,285	6,719,887	6,442,290	277,597
Security of Persons and Property	8,551,300	8,829,950	8,593,459	236,491
Public Health and Welfare	215,000	215,000	208,609	6,391
Transportation	5,266,125	5,613,125	5,459,290	153,835
Leisure Time Activities	1,056,191	1,085,992	1,059,553	26,439
Community Development	1,639,449	1,777,089	1,544,258	232,831
Basic Utility Services	110,000	110,000	90,965	19,035
Total Expenditures	23,506,350	24,351,043	23,398,424	952,619
Excess of Revenues Over (Under) Expenditures	(47,293)	(891,986)	3,246,736	4,138,722
Other Financing Sources (Uses)				
Proceeds of OPWC Loan	-	-	46,000	46,000
Transfers In	200	200	-	(200)
Transfers Out	(5,810,160)	(6,670,160)	(5,722,697)	947,463
Total Other Financing Sources (Uses)	(5,809,960)	(6,669,960)	(5,676,697)	993,263
Net Change in Fund Balance	(5,857,253)	(7,561,946)	(2,429,961)	5,131,985
Fund Balance Beginning of Year	11,152,849	11,152,849	11,152,849	-
Prior Year Encumbrances Appropriated	143,404	143,404	143,404	-
Fund Balance End of Year	$ 5,439,000	$ 3,734,307	$ 8,866,292	$ 5,131,985

The notes to the basic financial statements are an integral part of this statement.

City of Twinsburg, Ohio

Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
Street, Construction, Maintenance and Repair Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Intergovernmental	$ 900,000	$ 900,000	$ 902,741	$ 2,741
Expenditures				
Current:				
Transportation	2,847,695	3,144,359	2,664,101	480,258
Excess of Revenues Over (Under) Expenditures	(1,947,695)	(2,244,359)	(1,761,360)	482,999
Other Financing Sources (Uses)				
Proceeds of OPWC Loan	-	-	308,887	308,887
Transfers In	2,500,000	2,500,000	1,125,000	(1,375,000)
Total Other Financing Sources (Uses)	2,500,000	2,500,000	1,433,887	(1,066,113)
Net Change in Fund Balance	552,305	255,641	(327,473)	(583,114)
Fund Balance Beginning of Year	1,535,535	1,535,535	1,535,535	-
Prior Year Encumbrances Appropriated	110,164	110,164	110,164	-
Fund Balance End of Year	$ 2,198,004	$ 1,901,340	$ 1,318,226	$ (583,114)

The notes to the basic financial statements are an integral part of this statement.

City of Twinsburg, Ohio

Statement of Fund Net Position
Proprietary Funds
December 31, 2018

	Business-Type Activities - Enterprise				
	Sewer	Fitness Center	Golf Course	Other Business Type	Total
Assets					
Current Assets:					
Equity in Pooled Cash and Cash Equivalents	$ 2,130,274	$ 52,419	$ 343,296	$ 108,057	$ 2,634,046
Accounts Receivable	659,712	17,012	-	-	676,724
Special Assessments Receivable	43,974	-	-	-	43,974
Materials and Supplies Inventory	83,083	-	53,588	-	136,671
Total Current Assets	2,917,043	69,431	396,884	108,057	3,491,415
Noncurrent Assets:					
Nondepreciable Capital Assets	31,150	-	2,565,200	-	2,596,350
Depreciable Capital Assets, Net	32,248,296	7,873,520	11,555,428	-	51,677,244
Net Pension Asset	15,320	9,992	5,100	-	30,412
Total Noncurrent Assets	32,294,766	7,883,512	14,125,728	-	54,304,006
Total Assets	35,211,809	7,952,943	14,522,612	108,057	57,795,421
Deferred Outflows of Resources					
Pension	453,603	295,848	151,008	-	900,459
OPEB	102,621	66,931	34,163	-	203,715
Total Deferred Outflows of Resources	556,224	362,779	185,171	-	1,104,174
Liabilities:					
Current Liabilities:					
Accounts Payable	13,928	36,765	17,672	17	68,382
Accrued Wages and Benefits	36,945	18,147	19,055	-	74,147
Intergovernmental Payable	15,395	30,595	8,436	-	54,426
Claims Payable	10,425	6,005	3,858	-	20,288
Accrued Interest Payable	-	-	62,920	-	62,920
Unearned Revenue	-	106,283	-	-	106,283
Due Within One Year	94,172	16,612	37,711	-	148,495
Total Current Liabilities	170,865	214,407	149,652	17	534,941
Long-Term Liabilities (net of current portion)					
Notes Payable	-	-	6,138,000	-	6,138,000
Compensated Absences Payable	115,519	33,479	50,640	-	199,638
OPWC Loans Payable	247,534	-	-	-	247,534
Net Pension Liability	1,700,107	1,108,840	565,983	-	3,374,930
Net OPEB Liability	1,153,117	752,083	383,884	-	2,289,084
Total Long-Term Liabilities	3,216,277	1,894,402	7,138,507	-	12,249,186
Total Liabilities	3,387,142	2,108,809	7,288,159	17	12,784,127
Deferred Inflows of Resources					
Pension	416,224	271,469	138,565	-	826,258
OPEB	85,899	56,025	28,597	-	170,521
Total Deferred Inflows of Resources	502,123	327,494	167,162	-	996,779
Net Position					
Net Investment in Capital Assets	32,021,751	7,873,520	10,644,076	-	50,539,347
Unrestricted (Deficit)	(142,983)	(1,994,101)	(3,391,614)	108,040	(5,420,658)
Total Net Position	$ 31,878,768	$ 5,879,419	$ 7,252,462	$ 108,040	$ 45,118,689

The notes to the basic financial statements are an integral part of this statement.

City of Twinsburg, Ohio

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

	Business-Type Activities - Enterprise				
	Sewer	Fitness Center	Golf Course	Other Business Type	Total
Operating Revenues					
Charges for Services	$ 3,422,301	$ 1,575,577	$ 1,242,372	$ 43,047	$ 6,283,297
Other Operating Revenues	-	1,391	4,161	20,214	25,766
Total Operating Revenues	3,422,301	1,576,968	1,246,533	63,261	6,309,063
Operating Expenses					
Personal Services	2,267,555	1,441,413	1,133,868	-	4,842,836
Materials & Supplies	236,220	259,509	446,836	48,803	991,368
Contractual Services	317,047	330,186	304,100	12,550	963,883
Depreciation Expense	814,984	362,100	228,031	-	1,405,115
Total Operating Expenses	3,635,806	2,393,208	2,112,835	61,353	8,203,202
Operating Income (Loss)	(213,505)	(816,240)	(866,302)	1,908	(1,894,139)
Non-Operating Revenues (Expenses)					
Interest and Fiscal Charges	-	-	(74,937)	-	(74,937)
Income (Loss) Before Contributions & Transfers & Special Item	(213,505)	(816,240)	(941,239)	1,908	(1,969,076)
Grants & Contributed Capital	-	-	473,517	-	473,517
Transfers In	-	206,111	1,649,152	-	1,855,263
Change in Net Position	(213,505)	(610,129)	1,181,430	1,908	359,704
Net Position Beginning of Year - Restated (See Note 3)	32,092,273	6,489,548	6,071,032	106,132	44,758,985
Net Position End of Year	$ 31,878,768	$ 5,879,419	$ 7,252,462	$ 108,040	$ 45,118,689

The notes to the basic financial statements are an integral part of this statement.

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

	Business-Type Activities - Enterprise				
	Sewer	Fitness Center	Golf Course	Other Business Type	Total
Cash Flows From Operating Activities:					
Cash Received from Customers	$ 3,422,751	$ 1,562,975	$ 1,242,372	$ 43,047	$ 6,271,145
Other Operating Revenues	-	1,391	4,161	20,214	25,766
Cash Paid for Personal Services	(2,102,322)	(1,248,055)	(1,003,091)	-	(4,353,468)
Cash Paid for Contractual Services	(311,662)	(329,436)	(296,556)	(12,550)	(950,204)
Cash Paid for Materials & Supplies	(218,862)	(232,192)	(458,013)	(51,286)	(960,353)
Net Cash Provided By (Used For) Operating Activities	789,905	(245,317)	(511,127)	(575)	32,886
Cash Flows From Non-Capital Financing Activities					
Transfers In	-	206,111	1,649,152	-	1,855,263
Cash Flows From Capital and Related Financing Activities					
Proceeds of Notes	-	-	6,138,000	-	6,138,000
Payment for Capital Acquisitions	(268,521)	-	(3,905,566)	-	(4,174,087)
Principal Paid on Debt	(10,161)	-	(6,138,000)	-	(6,148,161)
Interest Paid on Debt	-	-	(73,104)	-	(73,104)
Net Cash Provided by (Used For) Capital and Related Financing Activities	(278,682)	-	(3,978,670)	-	(4,257,352)
Net Increase (Decrease) in Cash and Cash Equivalents	511,223	(39,206)	(2,840,645)	(575)	(2,369,203)
Cash and Cash Equivalents Beginning of Year	1,619,051	91,625	3,183,941	108,632	5,003,249
Cash and Cash Equivalents End of Year	$ 2,130,274	$ 52,419	$ 343,296	$ 108,057	$ 2,634,046
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities					
Operating Income (Loss)	$ (213,505)	$ (816,240)	$ (866,302)	$ 1,908	$ (1,894,139)
Adjustments:					
Depreciation	814,984	362,100	228,031	-	1,405,115
(Increase) Decrease in Assets & Deferred Outflows:					
Accounts Receivable	14,899	(8,407)	-	-	6,492
Materials & Supplies Inventory	14,088	-	(22,463)	-	(8,375)
Special Assessments Receivable	(14,449)	-	-	-	(14,449)
Retirement of Capital Assets	-	-	6,784	-	6,784
Net Pension Asset	(9,053)	(5,906)	(3,013)	-	(17,972)
Deferred Outflows - Pension	477,527	311,452	158,974	-	947,953
Deferred Outflows - OPEB	(86,321)	(56,300)	(28,737)	-	(171,358)
Increase (Decrease) in Liabilities & Deferred Inflows:					
Accounts Payable	7,428	26,339	12,093	(2,483)	43,377
Accrued Wages & Benefits	(14,799)	18,147	19,055	-	22,403
Intergovernmenal Payable	(22,780)	9,873	8,362	-	(4,545)
Claims Payable	(40,653)	(7,754)	(9,450)	-	(57,857)
Unearned Revenue	-	(4,195)	-	-	(4,195)
Compensated Absences Payable	(27,484)	(2,699)	22,151	-	(8,032)
Net Pension Liability	(681,688)	(444,608)	(226,941)	-	(1,353,237)
Net OPEB Liability	107,260	69,957	35,708	-	212,925
Deferred Inflows - Pension	378,552	246,899	126,024	-	751,475
Deferred Inflows - OPEB	85,899	56,025	28,597	-	170,521
Total Adjustments	1,003,410	570,923	355,175	(2,483)	1,927,025
Net Cash Provided By (Used For) Operating Activities	$ 789,905	$ (245,317)	$ (511,127)	$ (575)	$ 32,886

See accountants compilation report.
The notes to the basic financial statements are an integral part of this statement.

Note 1: The Reporting Entity

The City of Twinsburg (the "City") is a home rule municipal corporation established under the laws of the State of Ohio, which operates under its own Charter. The current Charter, which provides for a Mayor-Council form of government, was adopted November 3, 1981.

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. For the City of Twinsburg, this includes police and fire protection, parks and recreation, planning, zoning, street maintenance and repair, refuse collection, a wastewater treatment plant and general administrative services.

The City of Twinsburg is divided into various departments and financial management and control systems. The City departments include a public safety department, a public service department, a street maintenance department, a sanitation system, a parks and recreation department, a planning and zoning department, a waste water treatment system, and a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. The operation of each of these activities and entities is directly controlled by the City Council through the budgetary process and therefore is included as a part of the reportable entity.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. Based on this criteria, the City has one component unit.

The Twinsburg Community Improvement Corporation (TCIC) is a not-for-profit corporation to advance, encourage, and promote the industrial, commercial, civic, and economic development of Twinsburg, Ohio, under the applicable sections of the Ohio Revised Code. The City has agreed to provide 50 percent of the Transient Guest Tax funds the City collects and receives annually to the TCIC. Since this funding represents a significant portion of TCIC revenue, the organization is fiscally dependent on the City and therefore is considered a component unit of the City and is discretely presented in the City's financial statements. See Note 20 for specific disclosures relating to the TCIC.

Jointly Governed Organizations

Northeast Ohio Public Energy Council – The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of 134 members in 200 communities in 13 counties who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the nine-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Twinsburg did not contribute to NOPEC during 2018. Financial information can be obtained by contacting NOPEC, 31360 Solon Rd, Suite 33, Solon, Ohio 44139.

Note 2: Summary of Significant Accounting Policies

The financial statements of the City of Twinsburg have been prepared in conformity with generally accepted accounting principles (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 most significant of the City's accounting policies are described below.

A. Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government. 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 not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

B. Fund Accounting

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

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

> *General Fund* – The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Twinsburg and/or the general laws of Ohio.
>
> *Street Construction, Maintenance and Repair Fund* – This fund is required by the Ohio Revised Code to account for revenue from the state gasoline tax and motor vehicle registration fees. The Ohio Revised Code requires that 92.5 percent of these revenues be used for the maintenance and repair of streets within the City.
>
> *Park Debt Service Fund* – The park debt fund accounts for property taxes levied for the purpose of improving parks and paying off debt associated with maintenance of the parks.
>
> *Capital Improvement Fund* – The capital improvement fund accounts for resources allocated for the purpose of improving, constructing, maintaining, and purchasing those items necessary to enhance the operation of the City.

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

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. The City has no internal service funds.

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.

> *Sewer Fund* – The sewer fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.
>
> *Fitness Center Fund* – The fitness center fund accounts for the operations of the fitness center.
>
> *Golf Course Fund* – The golf course fund accounts for the operations of the golf course.

The other business-type funds of the City account for other resources whose use is restricted to a particular purpose.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. Agency funds are purely custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has no agency funds.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (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. The governmental fund financial statements therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of 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.

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary funds also use the accrual basis of accounting. Governmental funds use the modified 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/outflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include municipal income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from municipal income taxes is recognized in the period in which the income is earned.

Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 6).

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Unearned Revenue

Unearned revenue represents amounts under the accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements that report financial position may include a section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2018, the City had deferred outflows of resources for deferred losses on refunding, pensions and OPEB reported in the government-wide statement of net position and the proprietary funds statement of fund net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained in Notes 14 and 15.

In addition to liabilities, the financial statements that report financial position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, unavailable revenue and amounts for pension and OPEB. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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 delinquent property taxes, income taxes, special assessments, charges for services, investment income and intergovernmental grants.

These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position and in the proprietary funds on the statement of fund 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.

E. Budgetary Process

An annual appropriated budget is legally required to be prepared for all funds of the City. City Council passes appropriations at the line item level except for capital projects funds which are appropriated by department or project. Line item appropriations may be transferred between the accounts with the approval of the City Council. City Council must approve any revisions in the budget that alter total fund appropriations. The following are the procedures used by the City in establishing the budgetary data reported in the basic financial statements:

Tax Budget

A tax budget of estimated revenue and expenditures for all funds is submitted to the County Fiscal Officer, 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.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure.

On or about January 1 the certificate of estimated resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the Finance Director determines that revenue to be collected will be greater than or less than the prior estimates and the budget commission find the revised estimates to be reasonable. The amounts reported in the budgetary statements as original represent the amounts in the first official certificate of estimated resources issued during 2018. The amounts reported in the budgetary statements as final reflect the amounts in the final amended official certificate of estimated resources issued during 2018.

Annual Estimate

The Mayor, with the assistance of the Finance Director, is required by Charter to submit to City Council, on or before December 1 of each fiscal year, an estimate of the revenues and expenditures of each fund of the City for the next succeeding fiscal year. The annual estimate serves as the basis for appropriations (the appropriated budget) in each fund.

Appropriations

An appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the official amended certificate of estimated resources. Supplemental appropriations may be adopted by City Council action. During the year, several supplemental appropriation measures were necessary. The amounts reported as the original budgeted amounts in the budgetary statements reflect the first appropriated budget for each fund that covered the entire year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted amounts in the statements of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

Lapsing of Appropriations

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

Budgeted Level of Expenditure

Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority from City Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by City Council. City Council appropriations are made to personal services, travel and education, contractual services, supplies and materials, capital outlay, other expenditures, debt principal and interest payments, and transfer accounts for each department. Capital projects funds are appropriated by department or project. The appropriations set by City Council must remain fixed unless amended by City Council ordinance. More detailed appropriation allocations may be made by the Finance Director as long as the allocations are within City Council's appropriated amount.

Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of budgetary control.

On the GAAP basis, encumbrances outstanding at year end are reported as assigned, committed, or restricted fund balances for subsequent-year expenditures for governmental funds.

F. Cash and Cash Equivalents

To improve cash management, cash received by the City 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 cash equivalents" on the financial statements.

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts and nonnegotiable certificate of deposits are reported at cost. See Note 5 for specific disclosures relating to investments.

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

For the year ended 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $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 allocation is determined by the Ohio Constitution, State statutes, and local ordinances adopted under City Charter. Under these provisions, City funds required to receive interest allocations are: 1) those which receive proceeds from the sale of notes and/or bonds and 2) those which receive distributions of state gasoline tax and motor vehicle licenses fees (street maintenance and state highway special revenue funds). All remaining interest is allocated to the general fund. Legally, proprietary funds generally do not receive interest. Interest revenue credited to the general fund during 2018 amounted to $175,284.

G. Inventory

Inventories of all funds are stated at cost which 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 expenditures in the governmental fund types and as expenses in the proprietary fund type when used.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed. The City did not report any prepaid assets for 2018.

I. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of five thousand dollars. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems 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. Interest incurred during the construction of enterprise capital assets is also capitalized.

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

Description	Estimated Lives
Land Improvements	5 to 45 years
Buildings and Improvements	5 to 50 years
Machinery and Equipment	5 to 30 years
Vehicles	10 to 15 years
Infrastructure	18 to 100 years

J. Interfund Balances

On fund financial statements, interfund loans are classified as "interfund receivable/payable" on the balance sheet. Long-term interfund loans are classified as "advances to/from other funds" on the balance sheet and are equally offset as part of nonspendable fund balance which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances. The City did not report any interfund balances for 2018.

K. Compensated Absences

The City reports compensated absences in accordance with the provisions of GASB No. 16, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at fiscal year-end taking into consideration any limits specified in the City's termination policy. Additionally, certain salary related payments associated with the payment of compensated absences have been accrued.

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

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

L. Payables, Accrued Liabilities and Long-Term Obligations

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

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

M. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when limitations are imposed on its use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sewer, fitness center, and other proprietary programs. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the fund.

O. Interfund Activity

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

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

P. Deferred Charge on Refunding

The difference between the reacquisition price (funds required to refund the old debt) of various refunding bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

Q. Bond Premiums

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are receipted in the year the bonds are issued.

R. Estimates

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

S. Capital Contributions

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction and from contributions from governmental funds. During 2018, the City received $452,444 in governmental activities contributed capital donated from outside entities.

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

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

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

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of City Council. 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 or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned: Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance.

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

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

U. Pensions/Other Postemployment Benefits (OPEB)

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

V. Comparative Data/Reclassifications

Prior year data presented in Management's Discussion and Analysis have been reclassified in order to be comparative and provide an understanding of the changes in financial position and operations. Certain reclassifications have been made to the 2017 financial statements in order to conform to the 2018 presentation.

Note 3 – Change in Accounting Principle & Restatement of Prior Year Net Position

Change in Accounting Principles

For 2018, the City has implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions", GASB Statement No. 85, "Omnibus 2017" and GASB Statement No. 86, "Certain Debt Extinguishments".

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the City's postemployment benefit plan disclosures, as presented in Note 15 to the basic financial statements and added required supplementary information which is presented after the notes to the basic financial statements.

GASB Statement No. 85 addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and OPEB. The implementation of GASB Statement No. 85 did not have an effect on the financial statements of the City.

GASB Statement No. 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the City.

Restatement of Prior Year Net Position

A net position restatement is required in order to implement GASB Statement No. 75. Management has also elected to restate net position to reclassify a fully depreciated building that was originally included as land when the golf course was purchased in 1996. The governmental activities and business-type activities at January 1, 2018 have been restated as follows:

	Governmental Activities	Business-Type Activities	Total
Net Position as Previously Reported	$ 123,229,477	$ 46,887,587	$ 170,117,064
Deferred Outflows - Payments			
Subsequent to Measurement Date	92,570	32,357	124,927
Net OPEB Liability - OPERS	(4,082,523)	(2,076,159)	(6,158,682)
Net OPEB Liability - OP&F	(12,643,415)	-	(12,643,415)
Building Reclassification	-	(84,800)	(84,800)
Restated Net Position at January 1, 2018	$ 106,596,109	$ 44,758,985	$ 151,355,094

Restatement of Prior Year Fund Net Position

A fund net position restatement is required in order to implement GASB Statement No. 75. A restatement has also been applied for the building that was originally classified as land. The proprietary funds at January 1, 2018 have been restated as follows:

	Sewer	Fitness Center	Golf Course	Other	Total Business-Type Activities
Net Position as Previously Reported	$ 33,121,830	$ 7,161,043	$6,498,582	$ 106,132	$ 46,887,587
Deferred Outflows - Payments					
Subsequent to Measurement Date	16,300	10,631	5,426	-	32,357
Net OPEB Liability - OPERS	(1,045,857)	(682,126)	(348,176)	-	(2,076,159)
Building Reclassification	-	-	(84,800)	-	(84,800)
Restated Net Position at January 1, 2018	$ 32,092,273	$ 6,489,548	$6,071,032	$ 106,132	$ 44,758,985

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

Note 4: Budgetary Basis of Accounting

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

The statements of revenues, expenditures, and changes in fund balance – budget (non-GAAP budgetary basis) are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget.

The major differences between the budgetary basis and the GAAP basis are identified as follows:

(a) Revenues are recorded when received in cash (budgetary basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures/Expenses are recorded when paid in cash (budgetary basis) as opposed to when the liability is incurred (GAAP basis);

(c) Encumbrances are treated as expenditures (budgetary basis) rather than a restricted, committed, or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and street construction, maintenance and repair fund.

Net Change in Fund Balance

	General	Street Construction, Maintenance and Repair
GAAP Basis	$ (1,938,150)	$ 8,929
Net Adjustment for Revenue Accruals	159,523	(504)
Beginning Fair Value Adjustment	79,973	-
Ending Fair Value Adjustment	(129,240)	-
Net Adjustment for Expenditure Accruals	(461,132)	-
Adjustment for Encumbrances	(140,935)	(335,898)
Budget Basis	$ (2,429,961)	$ (327,473)

Note 5: Deposits and Investments

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

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

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

Interim 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 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;

4. Investment grade obligations of state and local governments, and public authorities;

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

6. The State Treasurer's investment pool (STAROhio).

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

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 treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution, by surety company bonds or by a single collateral pool established by the financial institution. In accordance with Chapter 135 of the Ohio Revised Code, any public depository receiving deposits pursuant to an award of City funds shall be required to pledge as security for repayment of all public moneys.

At year-end, the carrying amount of the City's deposits was $4,380,119 and the bank balance was $5,783,196. Of the bank balance, $323,068 was covered by FDIC. The remaining uncovered balance of $5,460,128 was collateralized with securities held by the pledging institution's trust department, not in the City's name.

Investments

Investments are reported at fair value. As of December 31, 2018, the City had the following investments:

	Fair Value	Maturity
STAROhio	$ 2,000,000	Less than One Year
U.S Treasury Note	1,649,605	Less than One Year
Negotiable Certificates of Deposit	987,436	Less than One Year
Federal Home Loan Mortgage Corporation		
Medium Term Note (FHLMC MTN)	544,735	Less than One Year
Commercial Paper	278,602	Less than One Year
Federal Home Loan Bank (FHLB)	249,855	Less than One Year
Federal National Mortgage Association		
Medium Term Note (FNMA MTN)	124,044	Less than One Year
Money Market	9,135	Less than One Year
Federal Home Loan Mortgage Corporation		
Medium Term Note (FHLMC MTN)	2,681,850	One to Five Years
Negotiable Certificates of Deposit	2,167,032	One to Five Years
Federal National Mortgage Association (FNMA)	737,453	One to Five Years
Federal National Mortgage Association		
Medium Term Note (FNMA MTN)	591,654	One to Five Years
Federal Home Loan Bank (FHLB)	356,064	One to Five Years
Total Portfolio	$ 12,377,465	

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of December 31, 2018:

- Negotiable certificates of deposit, Treasury Notes, FHLB, FNMA, FNMAMTN, and FHLMCMTN are measured based on Level 2 inputs, using a matrix or model pricing method.

- STAR Ohio, Money market and Commercial paper is valued at amortized cost, which approximates fair value.

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 requiring that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding the need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City's investment policy also limits security purchases to those that mature within five years unless specifically matched to a specific cash flow. During 2018, no investments have been purchased with a life greater than five years.

Custodial Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The securities underlying the repurchase agreements are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty.

The City has no investment policy dealing with investment custodial credit risk beyond the requirement in State statute that requires securities shall be delivered into the custody of the Finance Director or governing board or an agent designated by the Finance Director or governing board. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the City must meet a set of prescribed standards and be periodically reviewed.

Credit Risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer. The Federal Home Loan Bank bonds, Federal National Mortgage Association bonds, Federal National Mortgage Association Medium Term Note, and Federal Home Loan Mortgage Corporation Medium Term Note all carry a rating of Aaa by Standard & Poor's. The commercial paper carries a rating of P1 by Standard & Poor's. Star Ohio carries a rating AAAm by Standard & Poor's. The negotiable certificate of deposits and money market are unrated.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The City's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations. The following is the City's allocation as of December 31, 2018:

Investment	% of Total
Negotiable Certificates of Deposit	25.49%
Federal Home Loan Bank	4.90%
Federal National Mortgage Association	5.96%
Federal National Mortgage Association Medium Term Notes	5.78%
United States Treasury Notes	13.33%
Federal Home Loan Mortgage Corporation Medium Term Notes	26.07%
STAR Ohio	16.16%
Commercial Paper	2.25%
Money Market	0.07%
Total	100.00%

Note 6: Receivables

A. Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Real property taxes collected in 2018 are levied after October 1, 2017, on assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. The last reappraisal was completed for tax year 2014 affecting collections beginning in 2015.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at true value (normally 88 percent of cost). Public utility property taxes paid in 2018 that became a lien on December 31, 2017, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was $1.93 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2018 property tax receipts were based are as follows:

	2018 Amount	Percent
Real Property Valuation:		
Residential/Agricultural	$ 445,864,090	70.67 %
Commercial/Industrial/Mineral	173,419,110	27.49
Tangible Personal Property Valuation:		
Public Utilities	11,671,230	1.85
Total Valuation	$ 630,954,430	100.00 %

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.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

B. Municipal Income Taxes

The City levies and collects a municipal income tax of two percent on all income earned within the City as well as on 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 municipal 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.

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

Governmental Activities:	
Gasoline, Excise Tax & State Highway Distributions	$ 338,623
Local Government	105,733
Homestead and Rollback	61,312
Miscellaneous	26,632
Permissive	11,807
Total Governmental Activities	$ 544,107

Note 7: Risk Management

A. Property and Liability

The City maintains comprehensive insurance coverage with private insurance carriers for real property, building contents, vehicle and general liability insurance, and police professional liability insurance. By maintaining comprehensive insurance coverage with private carriers, the City has addressed these various types of risk. There were no reductions in insurance coverage from the previous year. Settled claims have not exceeded this commercial coverage in any of the past three years.

B. Health Insurance Benefits

The City continues to carry health insurance through Medical Mutual of Ohio (Medical Mutual). The City pays a monthly premium from the general fund, sewer fund, Gleneagles golf fund, and fitness center fund for each employee that varies according to which fund the employees' salary is paid.

The claims liability of $157,938 reported in the funds at December 31, 2018, was estimated by reviewing current claims and is based on the requirements of GASB No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses.

Changes in the fund's claims liability amount were:

Year	Beginning Balance	Current Year Claims	Claim Payments	Ending Balance
2018	$ 450,026	$ 126,313	$ 418,401	$ 157,938
2017	207,086	684,082	441,142	450,026

C. Workers' Compensation Program

The City is approved for self-insurance status by the Bureau of Workers' Compensation and administers its own workers' compensation program (the program). Liabilities of the fund are reported when an employee injury has occurred, it is probable that a claim will be filed under the program, and the amount of the claim can be reasonably estimated.

The claims liability of $46,095 reported in governmental activities and is based on the requirements of Governmental Standards Board No. 30, which requires a liability for the unpaid claims costs, including estimates of costs relating to incurred but not report claims, be reported. Changes in the claims liability amount in 2018 and 2017 were as follows:

Year	Beginning Balance	Current Year Claims	Claim Payments	Ending Balance
2018	$ 47,643	$ -	$ 1,548	$ 46,095
2017	77,072	-	29,429	47,643

Note 8: Capital Assets

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

	Balance 12/31/17	Additions	Reductions	Balance 12/31/18
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 23,712,390	$ -	$ -	$ 23,712,390
Capital assets being depreciated:				
Land improvements	3,600,295	-	-	3,600,295
Buildings and improvements	10,683,148	13,685	(15,732)	10,681,101
Machinery and equipment	6,394,102	268,213	(192,798)	6,469,517
Vehicles	7,753,507	571,137	(207,877)	8,116,767
Infrastructure:				
Roads	64,060,364	2,454,759	(1,162,682)	65,352,441
Water mains	35,891,879	180,312	(79,945)	35,992,246
Storm sewers and culverts	41,465,726	1,093,488	(68,840)	42,490,374
Traffic signs and signals	1,684,539	-	-	1,684,539
Streetlights	1,790,214	27,611	(7,143)	1,810,682
Total capital assets being depreciated	173,323,774	4,609,205	(1,735,017)	176,197,962
Less Accumulated depreciation				
Land improvements	(1,745,057)	(105,653)	-	(1,850,710)
Buildings and improvements	(4,724,369)	(225,093)	12,198	(4,937,264)
Machinery and equipment	(4,348,886)	(245,595)	191,715	(4,402,766)
Vehicles	(4,656,138)	(385,184)	195,470	(4,845,852)
Infrastructure:				
Roads	(26,366,039)	(2,112,594)	1,024,019	(27,454,614)
Water mains	(7,509,539)	(362,128)	2,998	(7,868,669)
Storm sewers and culverts	(12,474,722)	(707,501)	3,442	(13,178,781)
Traffic signs and signals	(1,033,599)	(63,744)	-	(1,097,343)
Streetlights	(1,325,410)	(47,817)	5,175	(1,368,052)
Total accumulated depreciation	(64,183,759)	(4,255,309)	1,435,017	(67,004,051)
Capital assets being depreciated, net	109,140,015	353,896	(300,000)	109,193,911
Governmental activities capital assets, net	$ 132,852,405	$ 353,896	$ (300,000)	$ 132,906,301

Depreciation expense was charged to governmental activities as follows:

General Government	$ 103,775
Security of Persons and Property	526,285
Transportation	2,369,493
Leisure Time Activities	210,960
Community Development	1,044,796
Total Depreciation Expense	$ 4,255,309

City of Twinsburg
BTA Capital Assets Summary
2018 BFS

	Restated Balance 12/31/2017	Additions	Deductions	Balance 12/31/2018
Business-Type Activities				
Capital assets not being depreciated:				
Construction in Progress	$ 3,469,768	$ 3,690,236	$ (7,160,004)	$ -
Land	2,596,350	-	-	2,596,350
Total capital assets not being depreciated	6,066,118	3,690,236	(7,160,004)	2,596,350
Capital assets being depreciated:				
Land Improvements	3,813,459	-	-	3,813,459
Buildings & Improvements	24,976,826	7,160,004	(84,800)	32,052,030
Machinery & Equipment	4,410,195	682,063	(38,389)	5,053,869
Vehicles	787,616	-	-	787,616
Infrastructure:				
Sewer Lines	35,278,824	282,246	(14,297)	35,546,773
Total capital assets being depreciated	69,266,920	8,124,313	(137,486)	77,253,747
Less Accumulated depreciation				
Land Improvements	(217,207)	(87,244)	-	(304,451)
Buildings & Improvements	(11,821,462)	(645,460)	84,800	(12,382,122)
Machinery & Equipment	(2,790,514)	(180,196)	38,389	(2,932,321)
Vehicles	(481,583)	(33,954)	-	(515,537)
Infrastructure:				
Sewer Lines	(8,984,383)	(458,261)	572	(9,442,072)
Total accumulated depreciation	(24,210,349)	(1,405,115)	123,761	(25,576,503)
Capital assets being depreciated, net	44,971,771	6,719,198	(13,725)	51,677,244
Business-Type activities capital assets, net	$ 51,122,689	$ 10,409,434	$ (7,173,729)	$ 54,273,594

Note 9: Accountability

The City had deficit balances in the following funds at December 31, 2018:

Nonmajor Governmental Funds:	Deficit
Fire Pension	$ 24,396
Police Pension	17,222

The fire pension and police pension fund deficits are the result of the recognition of liabilities in accordance with generally accepted accounting principles.

Note 10: Contingencies/Pending Litigation

The City is a party to various legal proceedings. The City's management is of the opinion that the ultimate outcome of such litigation will not have a material adverse effect on the City's financial position.

Note 11: Long-Term Obligations

The original issue date, interest rates and issuance amount for each of the City's bonds and loans follows:

	Original Issue Date	Original Interest Rate	Original Issue Amount
Governmental Activities:			
General Obligation Bonds:			
Park land and conservation refunding,	2011A	2.00% - 4.88%	$6,455,000
senior citizens center, and golf course refunding	2011B	2.00% - 4.25%	3,115,000
Darrow road improvement refunding	2013	2.20%	1,888,500
Special Assessment Bonds:			
Liberty/Cannon/Chamberlin/Ravenna	2003	2.75% - 5.10%	310,000
Chamberlin waterline	2005	4.20% - 5.00%	62,000
Snow plow vehicles loan	2014	2.37%	506,045
OPWC Loans:			
Edgewood road improvements	2008	0.00%	344,925
Haverhill and Croyden road improvements	2009	0.00%	347,170
Post road improvements	2010	0.00%	895,653
Sunview drive improvements	2012	0.00%	631,912
Cobblestone Lane & Old Pond Lane improvements	2013	0.00%	499,000
Warren Parkway improvements	2014	0.00%	288,000
Darrow road sanitary sewer replacement	2014	0.00%	203,109
Westwood Drive improvements	2014	0.00%	778,999
Hillsdale waterline and sewer improvements	2015	0.00%	412,098
Chamberlin sanitary	2015	0.00%	291,652
Rolling Acres improvements	2016	0.00%	891,131
Crestwood Waterline replacement	2017	0.00%	558,655
Joann & Lila Place reconstruction	2018	0.00%	340,009
Business-Type Activities:			
Long-Term Note:			
Gleneagles Golf Club Improvements	2018	1.98%	6,138,000
OPWC Loans:			
Darrow road improvements	2012	0.00%	84,834
Belmeadow drive and Serene Court	2013	0.00%	220,000

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2018 was as follows:

	(Restated) Balance 12/31/17	Additions	Deductions	Balance 12/31/18	Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Park land and conservation refunding	$ 2,435,000	$ -	$ (725,000)	$ 1,710,000	$ 760,000
Senior citizens center and golf course refunding	1,345,000	-	(315,000)	1,030,000	335,000
Darrow road improvement refunding	1,005,000	-	(190,000)	815,000	200,000
Premium on general obligation bonds	167,707	-	(41,927)	125,780	-
Total General Obligation Bonds	4,952,707	-	(1,271,927)	3,680,780	1,295,000
Special Assessment Bonds:					
Liberty/Cannon/Chamberlin/Ravenna	90,000	-	(15,000)	75,000	15,000
Chamberlin Waterline	26,000	-	(3,000)	23,000	3,000
Total Special Assessment Bonds:	116,000	-	(18,000)	98,000	18,000
Other Long-Term Obligations:					
OPWC Loans:					
CH10L Edgewood road improvements	275,940	-	(11,497)	264,443	11,498
CH19M Haverhill and Croyden road improvements	277,737	-	(11,573)	266,164	11,572
CH04N Post road improvements	761,304	-	(29,854)	731,450	29,855
CH02O Sunview drive improvements	547,656	-	(21,063)	526,593	21,064
CH06P Cobblestone Lane and Old Pond Lane improvements	449,100	-	(16,633)	432,467	16,633
CH09Q Warren Parkway improvements	268,800	-	(9,600)	259,200	9,600
CH04P Darrow road sanitary sewer	192,954	-	(6,771)	186,183	6,770
CH11Q Westwood Drive improvements	714,082	-	(25,966)	688,116	25,966
CH05R Hillsdale waterline and sewer improvements	398,362	-	(13,737)	384,625	13,737
CH06S Chamberlin sanitary	281,931	-	(9,722)	272,209	9,722
CH03S Rolling Acres improvements	1,081,547	3,453	(18,083)	1,066,917	36,167
CH04T Crestwood Waterline Replacement	547,230	11,425	-	558,655	-
CH07U Joann & Lila Place reconstruction	-	340,009	-	340,009	-
Capital lease payable	428,088	463,293	(238,086)	653,295	322,565
Claims Payable	47,643	-	(1,548)	46,095	-
Accrued Compensated Absences	2,124,481	434,594	(561,101)	1,997,974	482,840
Total Other Long-Term Obligations	8,396,855	1,252,774	(975,234)	8,674,395	997,989
Total Before Net Pension & OPEB Liability	13,465,562	1,252,774	(2,265,161)	12,453,175	2,310,989
Net Pension Liability:					
OPERS	9,297,386	-	(2,660,980)	6,636,406	-
OP&F	16,870,848	-	(262,168)	16,608,680	-
Total Net Pension Liability	26,168,234	-	(2,923,148)	23,245,086	-
Net OPEB Liability:					
OPERS	4,082,523	418,691	-	4,501,214	-
OP&F	12,643,415	2,689,054	-	15,332,469	-
Total Net OPEB Liability	16,725,938	3,107,745	-	19,833,683	-
Total Governmental Long-Term Obligations	$ 56,359,734	$ 4,360,519	$ (5,188,309)	$ 55,531,944	$ 2,310,989

	(Restated) Balance 12/31/17	Additions	Deductions	Balance 12/31/18	Due in One Year
Business-Type Activities:					
Long-Term Note:					
Gleneagles Golf Club Improvements	$ 6,138,000	$ 6,138,000	$ (6,138,000)	$ 6,138,000	$ -
Other Long-Term Obligations:					
CH04P Darrow road improvements	73,523	-	(2,828)	70,695	2,828
CH05P BelmeadowDrive/Serene Court	194,333	-	(7,333)	187,000	7,333
Accrued Compensated Absences	346,004	96,368	(104,400)	337,972	138,334
Total Before Net Pension & OPEB Liabilities	6,751,860	6,234,368	(6,252,561)	6,733,667	148,495
Net Pension Liability:					
OPERS	4,728,167	-	(1,353,237)	3,374,930	-
Net OPEB Liability:					
OPERS	2,076,159	212,925	-	2,289,084	-
Total Net Pension & OPEB Liabilities	6,804,326	212,925	(1,353,237)	5,664,014	0
Total Business-Type Long-Term Obligations	$ 13,556,186	$ 6,447,293	$ (7,605,798)	$ 12,397,681	$ 148,495

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

Year	Governmental Activities					Business Type Activities
Ending	General Obligation Bonds		Special Assessment Bonds		OPWC	OPWC
12/31	Principal	Interest	Principal	Interest	Principal	Principal
2019	$ 1,295,000	$ 133,980	$ 18,000	$ 4,975	$ 192,584	$ 10,161
2020	1,330,000	84,718	18,000	4,060	192,584	10,161
2021	720,000	32,018	18,000	3,145	192,584	10,161
2022	210,000	4,620	18,000	2,230	192,583	10,161
2023	-	-	18,000	1,315	192,584	10,161
2024 - 2028	-	-	8,000	600	962,920	50,806
2029 - 2033	-	-	-	-	962,921	50,806
2034 - 2038	-	-	-	-	962,922	50,806
2039 - 2043	-	-	-	-	901,855	50,805
2044 - 2047	-	-	-	-	324,830	3,667
Total	$ 3,555,000	$ 255,336	$ 98,000	$ 16,325	$ 5,078,367	$ 257,695

As of December 31, 2018, the City's future governmental activities and business-type debt service requirements consisted of bonds payable at various interest rates, 15 non-interest bearing Ohio Public Works Commission (OPWC) loans numbered CH10L, CH19M, CH04N, CH02O, CH06P, CH09Q, CH04P, CH11Q, CH05R, CH06S, CH03S, CH04T, CH07U, CH04P and CH05P, capital leases, claims and compensated absences.

General obligation bonds will be paid from the bond retirement debt service fund and park debt service fund. Special assessment bonds are payable from the proceeds of assessments levied against the specific property owners who primarily benefited from the project. Special assessment monies will be received in, and the debt will be retired through, the special assessment bond retirement debt service fund. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments.

OPWC loans will be paid semi-annually from the bond retirement debt service fund. These loans are repaid with municipal income tax monies.

Compensated absences will be paid from the fund which the employees' salaries are paid. See Note 12 for further detail on capital leases.

In 2011, the City defeased a portion of various general obligation bonds and the City's ODOT loan in order to take advantage of lower interest rates. The proceeds of the new bonds and loan were placed in an irrevocable trust to provide for all future debt service payments on the refunded portion of the various general obligation bonds and ODOT loan.

On April 16, 2013, the City issued $1,888,500 in general obligation bonds for the purpose of refunding various general obligation bonds in order to take advantage of lower interest rates. Proceeds of $1,888,500 were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded portion of the various general obligation bonds. The City decreased its total debt service payments by $201,638 as a result of the refunding. The City also incurred an economic gain (difference between the present value of the old and new debt service payments) of $181,151.

During 2013, the City obtained an OPWC loan for the Cobblestone Lane and Old Pond Lane reconstruction in the amount of $499,000, payable in semi-annual payments of $8,317, at zero percent interest for 30 years. The amounts are included in the amortization table above.

The City also obtained an OPWC loan for the Darrow Road sanitary sewer replacement project and the Warren Parkway improvement project in the amount of $203,109 and $778,999, respectively. These loans will be payable in semi-annual payments of $3,385 and 25,967, respectively, at zero percent interest for 30 years. The amounts are included in the amortization table above.

During 2015, the City obtained an OPWC loan for the Hillsdale improvement project and Chamberlin Sanitary improvement project in the amount of $412,099 and $291,652, respectively. These loans will be payable in semi-annual payments of $13,737 and 9,722, respectively, at zero percent interest for 30 years. The amounts are included in the amortization table above.

At December 31, 2018, the City obtained proceeds for the OPWC loan related to the Rolling Acres improvement project in the amount of $1,085,000. The loan will be repaid in semi-annual principal payments of $36,167. The amounts are included in the amortization table above.

At December 31, 2018, the City obtained partial proceeds for the OPWC loan related to the Crestwood Waterline Replacement and the Joann & Lila Place Reconstruction projects. These loans will be repaid in semi-annual principal payments. The City has not collected the total proceeds of these loans, and as a result, the debt maturity schedule above does not reflect any amounts for the principal or interest. When these loans are finalized, the principal and interest will be included in the annual debt maturity schedule above.

On March 1, 2018, the City issued bond anticipation notes in the amount of $6,138,000 with an interest rate of 1.198 percent, maturing on March 1, 2019. The notes were issued for the purpose of paying costs of constructing, furnishing, and equipping a new clubhouse at the City's Gleneagles Golf Club.

Note 12: Lease Obligations

The City has entered into multiple lease agreements as a lessee for financing various equipment and vehicles. These lease agreements qualify as operating and capital leases. For accounting purposes, capital leases have been recorded at the present value of its future minimum lease payments as of inception date.

Governmental capital assets acquired by a capital lease have been capitalized as vehicles in the amount of $884,402, while $206,285 is still held in escrow and will be capitalized in 2019. Accumulated depreciation as of December 31, 2018 for the vehicles and equipment was $235,894, leaving a current book value of $648,508.

Business-type capital assets acquired by these leases have been capitalized as equipment in the amount of $113,600, accumulated depreciation as of December 31, 2018, for the equipment was $64,373, leaving a current book value of $49,227 for equipment.

The following is a schedule of the future minimum lease payments required under the operating and capital leases and the present value of the minimum lease payments at year-end:

	Capital Lease
Year Ending December 31,	Governmental Lease Payments
2019	$ 338,224
2020	212,852
2021	131,546
Total Minimum Lease Payments	682,622
Less: Amount Representing Interest	(29,327)
Present Value of Minimum Lease Payments	$ 653,295

Note 13: Compensated Absences

Accumulated unpaid vacation is accrued when earned and is normally paid in the first three months of the subsequent calendar year. In accordance with the Codified Ordinances of the City, unused vacation pay cannot be carried over from year to year. Accordingly, all accrued vacation pay is considered to be due within one year. City employees are paid for earned, unused vacation leave at the time of the termination of their employment.

Sick leave is earned at the rate of ten hours per month for full-time employees and 4.6 hours per eighty hours worked by part-time employees. Each employee with the City is paid for up to 180 days or a maximum of 1,440 hours for Ohio Public Employment Retirement System (OPERS) employees and 1,740 hours for Ohio Police and Fire Pension Fund (OP&F) employees, upon retirement from the City, and 30 years of service for OPERS employees and 20 years of service for retiring police employees. Individuals leaving the employment of the City prior to retirement lose their accumulated sick leave.

Note 14: Defined Benefit Pension Plans

Net Pension Liability/Asset

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

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

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

GASB 68 assumes any net pension liability/asset 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.

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.

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.

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0 %
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 and the Combined Plan was $1,248,967 for 2018. Of this amount, $122,076 is reported as intergovernmental payable.

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 OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

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

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

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $1,246,394 for 2018. Of this amount, $133,087 is reported as intergovernmental payable.

Net 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 and Combined Plan, respectively, were measured as of December 31, 2017, 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, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

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

	OPERS - Traditional	OPERS - Combined	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.06176400%	0.06630400%	0.26635800%	
Proportion of the net pension liability/asset current measurement date	0.06381500%	0.06627100%	0.27061200%	
Change in proportionate share	0.00205100%	-0.00003300%	0.00425400%	
Proportionate share of the net pension liability	$ 10,011,336	$ -	$ 16,608,680	$ 26,620,016
Proportionate share of the net pension asset	-	90,215	-	90,215
Pension expense	2,199,307	14,287	2,110,641	4,324,235

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	OP&F	Total
Deferred outflows of resources				
Differences between expected and actual experience	$ 10,224	$ -	$ 252,048	$ 262,272
Changes of assumptions	1,196,416	7,883	723,728	1,928,027
Changes in employer's proportionate percentage/ difference between employer contributions	207,614	-	438,494	646,108
City contributions subsequent to the measurement date	1,209,508	39,459	1,246,395	2,495,362
Total deferred outflows of resources	$ 2,623,762	$ 47,342	$ 2,660,665	$ 5,331,769

	OPERS - Traditional	OPERS - Combined	OP&F	Total
Deferred inflows of resources				
Differences between expected and actual experience	$ 197,290	$ 26,877	$ 30,044	$ 254,211
Net difference between projected and actual earnings on pension plan investments	2,149,304	14,232	574,534	2,738,070
Changes in employer's proportionate share/ difference between employer contributions	61,330	1,965	-	63,295
Total deferred inflows of resources	$ 2,407,924	$ 43,074	$ 604,578	$ 3,055,576

$2,495,362 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, 2019.

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

	OPERS - Traditional	OPERS - Combined	OP&F	Total
Year Ending December 31:				
2019	$ 947,290	$ (4,800)	$ 523,146	$ 1,465,636
2020	(111,343)	(5,191)	372,100	255,566
2021	(946,439)	(8,378)	(222,980)	(1,177,797)
2022	(883,178)	(8,042)	(138,887)	(1,030,107)
2023	-	(3,045)	223,537	220,492
Thereafter	-	(5,735)	52,776	47,041
Total	$ (993,670)	$ (35,191)	$ 809,692	$ (219,169)

Actuarial Assumptions - OPERS

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

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

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

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year 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 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	23.00 %	2.20 %
Domestic equities	19.00	6.37
Real estate	10.00	5.26
Private equity	10.00	8.97
International equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future 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	$ 17,777,583	$ 10,011,336	$ 3,536,627
Combined Plan	(49,041)	(90,215)	(118,625)
Total	$ 17,728,542	$ 9,921,121	$ 3,418,002

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing 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, 2017, are presented below. The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the investment rate of return from 8.25% to 8.00%, (b) projected salary increases decreased from 4.25% - 11.00% to 3.75% - 10.50%, (c) payroll increases decreased from 3.75% to 3.25%, (d) inflation assumptions decreased from 3.25% to 2.75% and (e) Cost of Living Adjustments (COLAs) decreased from 2.60% to 2.20%.

Valuation date	1/1/17 with actuarial liabilities rolled forward to 12/31/17
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25%
Inflation assumptions	2.75%
Cost of living adjustments	2.20% and 3.00% for increases based on the lessor of the increase in CPI 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 OP&F'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 and Guidelines. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017 are summarized below:

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

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

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

Discount Rate - The total pension liability/asset was calculated using the discount rate of 8.00%. A discount rate of 8.25% was used in the prior measurement period. 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 8.00%. 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/asset.

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$ 19,165,806	$ 16,608,680	$ 12,382,934

Note 15: Defined Benefit Other Postemployment Benefit (OPEB) Plans

Net OPEB Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $0 for 2018.

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

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

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

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

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

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

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

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

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

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was $29,537 for 2018. Of this amount, $3,132 is reported as intergovernmental payable.

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

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

	OPERS	OP&F	Total
Proportion of the net OPEB liability prior measurement date	0.06097500%	0.26635800%	
Proportion of the net OPEB liability current measurement date	0.06253000%	0.27061200%	
Change in proportionate share	0.00155500%	0.00425400%	
Proportionate share of the net OPEB liability	$ 6,790,297	$ 15,332,470	$ 22,122,767
OPEB expense	$ 629,135	$ 1,243,315	$ 1,872,450

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

	OPERS	OP&F	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 5,290	$ -	$ 5,290
Changes of assumptions	494,405	1,496,126	1,990,531
Changes in employer's proportionate share/ difference between employer contributions	104,602	156,811	261,413
City contributions subsequent to the measurement date	-	29,537	29,537
Total deferred outflows of resources	$ 604,297	$ 1,682,474	$ 2,286,771

	OPERS	OP&F	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ -	$ 77,331	$ 77,331
Net difference between projected and actual earnings on pension plan investments	505,832	100,924	606,756
Total deferred inflows of resources	$ 505,832	$ 178,255	$ 684,087

$29,537 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019.

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

	OPERS	OP&F	Total
Year Ending December 31:			
2019	$ 162,458	$ 205,121	$ 367,579
2020	162,458	205,121	367,579
2021	(99,993)	205,121	105,128
2022	(126,458)	205,121	78,663
2023	-	230,350	230,350
Thereafter	-	423,848	423,848
Total	$ 98,465	$ 1,474,682	$ 1,573,147

Actuarial Assumptions - OPERS

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

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

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

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006.

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

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

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

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

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

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

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent.

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	$ 9,021,203	$ 6,790,297	$ 4,985,517

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

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

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$ 6,496,867	$ 6,790,297	$ 7,093,403

Actuarial Assumptions – OP&F

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

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

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

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

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

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

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

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

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class.

The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income*	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.
*levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on 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 OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

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

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	$ 19,165,806	$ 15,332,470	$ 12,382,934

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

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

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

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$ 11,910,559	$ 15,332,470	$ 19,944,111

Note 16: Fund Balances

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

Fund Balances	General	Street Construction Maintenance and Repair	Park Debt Service	Capital Improvement	Nonmajor Governmental	Total
Nonspendable:						
Inventory	$ 459,319	$ -	$ -	$ -	$ -	$ 459,319
Unclaimed Monies	701	-	-	-	-	701
Total Nonspendable	460,020	-	-	-	-	460,020
Restricted for:						
Debt Service Payments	-	-	43,390	-	-	43,390
Capital Improvements	-	-	-	6,250	405,195	411,445
Streets and Highways	-	1,759,061	-	-	675,442	2,434,503
Law Enforcement Education	-	-	-	-	141,713	141,713
Total Restricted	-	1,759,061	43,390	6,250	1,222,350	3,031,051
Committed to:						
Parks and Recreation	-	-	-	-	119,503	119,503
Employee Payout Reserve	-	-	-	-	107,234	107,234
Debt Service Payments	-	-	-	-	461,964	461,964
Total Committed	-	-	-	-	688,701	688,701
Assigned to:						
Capital Improvements	-	-	-	1,787,718	-	1,787,718
Encumbrances	140,935	-	-	-	-	140,935
Subsequent Year's Budget:						
Appropriation of Fund Balances	3,537,115	-	-	-	-	3,537,115
Total Assigned	3,678,050	-	-	1,787,718	-	5,465,768
Unassigned (Deficit)	8,162,650	-	-	-	(41,618)	8,121,032
Total Fund Balances	$ 12,300,720	$ 1,759,061	$ 43,390	$ 1,793,968	$ 1,869,433	$ 17,766,572

Note 17: Interfund Transfers

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

	Transfers From General Fund
Transfers To:	
Street Construction, Maintenance and Repair	$ 1,125,000
Capital Improvement Fund	960,000
Fitness Center Fund	206,110
Golf Course Fund	1,649,153
Other Governmental Funds	1,782,434
Total Transfers	$ 5,722,697

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and to provide additional resources for current operations or debt service.

Note 18: Other Significant Commitments

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year-end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

	Encumbrances
Governmental Funds:	
General Fund	$ 140,935
Street Construction, Maintenance and Repair Fund	335,898
Capital Improvement Fund	76,008
Other Governmental Funds	404,373
Total Governmental	$ 957,214

Note 19: Tax Abatement Disclosures

As of December 31, 2018, the City of Twinsburg provides tax incentives under the Community Reinvestment Area (CRA) Program.

Real Estate tax abatements

Pursuant to Ohio Revised Code Chapter 3735, the City established a Community Reinvestment area in 1999, which included all land within the boundaries of the City of Twinsburg. The City of Twinsburg authorizes incentives through passage of public resolutions, based upon each businesses investment criteria, and through a contractual application process with each business, including proof that the improvement have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements.

The abatement is provided for an agreed upon time frame. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand business located in the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate. During 2018, the City of Twinsburg contracted with the Twinsburg City School District for payments in lieu of taxes when required by Section 5709.82 of the Ohio Revised Code.

City Council's incentive criteria for decision making

The City of Twinsburg has offered tax incentives and CRA abatements to various businesses based upon substantial project investment into the City. The City considers projects that have at least a $100,000 real estate investment into a property, along with the retention and creation of at least 10 jobs.

If the abated business materially fails to fulfill their obligations under their agreement, or if the City determines the certification as to delinquent taxes required by the agreement to be fraudulent, the City may terminate or modify the exemptions from taxation granted under their agreement and may require the repayment of the amount of taxes that would have been payable had the property not been exempted from taxation under their agreement.

For the year ended December 31, 2018, the City abated property taxes totaling $369,381 under this program.

Pursuant to Section 5709.82 of the Ohio Revised Code, the City of Twinsburg and the Twinsburg City School District created various Community Reinvestment Area Compensation Agreements. These agreements state a reimbursement percentage of 35 percent municipal income tax revenue sharing with the Twinsburg City School District when new income tax collections exceed $1 million dollars and the corresponding CRA abatement percentage on the project is greater than 50 percent.

The required amount of income tax dollars paid by the City to the Twinsburg City School District in 2018 was $96,129.

Note 20: Discretely Presented Component Unit

Note A. Nature of Operations

The Twinsburg Community Improvement Corporation (TCIC) was incorporated as a non-profit organization in the state of Ohio, on July 1, 2013. The mission of the TCIC is to advance, encourage, and promote the industrial, economic, commercial, distribution, research and civic development of the City of Twinsburg. The TCIC's basic programs include economic development and community development activities and the City of Twinsburg has designated the TCIC to as its agent for the Community Reinvestment Area and Twinsburg Occupancy programs.

Note B. Summary of Significant Accounting Policies

Basis of Accounting

The TCIC accounts for its revenues and related expenses on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America. Revenues are reported in the year earned. Costs and expenses are charged against revenues in the year to which the cost is applicable.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board ASC 958, Financial Statements of Not-for-Profit Organizations. Under ASC 958, the TCIC is required to report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Income Tax Status

The TCIC has filed for exemption from Federal income taxes as described under Internal Revenue Code (IRC) 501(c) (3). Therefore, no provision for income tax has been recorded in the accompanying financial statements.

Accounting principles generally accepted in the United States require management to evaluate tax positions taken by the TCIC and recognize a tax liability (or asset) if the TCIC has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service (IRS). Management has analyzed the tax positions taken by the TCIC, and has concluded that as of December 31, 2018, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The TCIC is subject to routine audits by taxing jurisdictions, however, there are currently no audits for any tax periods in progress. The TCIC's Federal Return of Organization from Income Tax (federal Form 990) for 2015, 2016, and 2017 are subject to examination by the IRS, generally for three years after filing.

Estimates

In preparing financial statements in conformity with GAAP, management must make estimates based on future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the revenues and expenses during the reporting period. Actual results could differ from these estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the TCIC considers all highly liquid instruments purchased with maturity of three months or less to be cash equivalents.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. It is the TCIC's policy to charge off uncollectible receivables when management determines the receivable will not be collected.

Capital Assets

It is the policy of the TCIC to capitalize capital assets if the cost exceeds $5,000, has a useful life of 3 years and is not considered to be a normal repair or maintenance item.

Expense Allocation

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of management estimates. Administrative expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the TCIC.

Restricted Without or With Donor Restrictions

Contributions received are recorded as increases in net assets without or with donor restrictions, depending on the revenue being comprised of any donor-imposed restrictions.

Unless specifically restricted by the donor, all contributions and grants are considered to be available for unrestricted use in the activities of the TCIC.

The Board of Trustees has discretionary control of the net assets without donor restrictions to use in the activities of the TCIC.

Note C. Newly Adopted Standard

The TCIC has adopted Financial Accounting Standards Update (ASU) No. 2016-14, *Not-for- Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities.* Under ASU, the TCIC is required to report information regarding its financial position and activities according to the absence or presence of donor-imposed restrictions, report expenses by natural and functional classification, and provide enhanced disclosures relating to how the TCIC manages its liquid resources.

Note D. Liquidity

The TCIC's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Cash and Cash Equivalents	$	35,157
Contributions Receivable		95,078
	$	130,235

Cash and cash equivalents are held in a business checking account and a money market savings account. Financial assets that are subject to donor restriction make them unavailable for general expenditure within one year of the statement of financial position date. As of December 31, 2018, the TCIC did not have any financial assets subject to donor restriction. The TCIC has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note E. Land for Investment/Sale

The Corporation owns the land at 8949 Darrow Road, 2573 East Aurora Road, 2593 East Aurora Road, all of Twinsburg, Ohio 44087. The land is valued at its purchase price in the financial statements. The Corporation promotes the sale of this land in Summit County to prospective industrial clients.

Note F. Concentration of Risk

The TCIC maintains its cash at a local financial institution. The account is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000. At December 31, 2018, the TCIC's entire cash balance is insured.

For the year ended December 31, 2018, the TCIC received 88 percent of its revenue from the City of Twinsburg.

Note G. Debt

Long-term debt consists of the following as of December 31, 2018:

		Amount
Aurora Road Property Note	$	215,417
Less: Current Portion		(55,000)
Total Long-Term Debt	$	160,417

The Aurora Road Property Note was used to purchase property at 2573 and 2593 East Aurora Road, Twinsburg, OH 44087. The monthly payments are variable with a fixed principal payment of $4,583 and interest rate of 2.75%. The note matures on November 7, 2022.

The aggregate maturities on long-term debt for the five years as of December 31, 2018, are as follows:

Year Ended June 30,		Amount
2019	$	55,000
2020	$	55,000
2021		55,000
2022		50,417
Total	$	215,417

Note H. Insurance

The Corporation maintains property insurance through a private insurance carrier. The insurance was purchased in 2018 when the property was purchased. There have been no claims that exceeded coverage.

Note I. Subsequent Events

Management has evaluated events subsequent to the date of the financial statements through July 31, 2019, which is the date the financial statements were available to be issued. No events subsequent to year end through July 31, 2019 have occurred that require inclusion in these financial statements.

City of Twinsburg, Ohio
Required Supplementary Information

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
Ohio Public Employees Retirement System (OPERS) - Traditional Plan
Last Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability (Asset)	0.0638150%	0.0617640%	0.0633760%	0.6310700%	0.6310700%
City's Proportionate Share of the Net Pension Liability (Asset)	$ 10,011,336	$ 14,025,554	$ 10,977,523	$ 7,611,409	$ 7,439,493
City's Covered Payroll	$ 8,354,500	$ 8,246,675	$ 7,963,767	$ 7,740,890	$ 7,250,462
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	119.83%	170.08%	137.84%	98.33%	102.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	n/a

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

City of Twinsburg, Ohio

Required Supplementary Information

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
Ohio Public Employees Retirement System (OPERS) - Combined Plan
Last Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability (Asset)	0.06627100%	0.06630400%	0.06273000%	0.05865500%	0.05865500%
City's Proportionate Share of the Net Pension Liability (Asset)	$ (90,216)	$ (36,903)	$ (30,526)	$ (22,585)	$ (6,155)
City's Covered Payroll	$ 268,838	$ 266,331	$ 231,342	$ 206,941	$ 210,623
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	33.56%	13.86%	13.20%	10.91%	2.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%	116.55%	116.90%	114.83%	n/a

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

City of Twinsburg, Ohio

Required Supplementary Information

Schedule of the City's Proportionate Share of the Net Pension Liability (Asset)
Ohio Police and Fire Pension (OP&F)
Last Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability (Asset)	0.27061200%	0.26635800%	0.26254700%	0.25847900%	0.25847900%
City's Proportionate Share of the Net Pension Liability (Asset)	$ 16,608,680	$ 16,870,848	$ 16,889,831	$ 13,390,305	$ 12,588,752
City's Covered Payroll	$ 5,868,555	$ 5,762,591	$ 5,424,500	$ 5,108,843	$ 5,160,956
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	283.01%	292.76%	311.36%	262.10%	243.92%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	n/a

(1) Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

City of Twinsburg, Ohio

Required Supplementary Information

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.06253000%	0.06097500%
City's Proportionate Share of the Net OPEB Liability	$ 6,790,297	$ 6,158,682
City's Covered Payroll	$ 8,623,338	$ 8,513,006
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	78.74%	72.34%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.05%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

City of Twinsburg, Ohio
Required Supplementary Information

Schedule of the City's Proportionate Share of the Net OPEB Liability
Ohio Police and Fire Pension (OP&F)
Last Two Years (1)

	2018	2017
City's Proportion of the Net OPEB Liability	0.27061200%	0.26635800%
City's Proportionate Share of the Net OPEB Liability	$ 15,332,469	$ 12,643,415
City's Covered Payroll	$ 5,868,555	$ 5,762,591
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	261.26%	219.41%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

City of Twinsburg, Ohio
Required Supplementary Information

Schedule of City Pension Contributions
Ohio Public Employees Retirement System (OPERS) - Traditional Plan
Last Ten Years

	2018	2017	2016	2015	2014
Contractually Required Pension Contribution	$ 1,209,508	$ 1,086,085	$ 989,601	$ 955,652	$ 928,907
Pension Contributions in Relation to the Contractually Required Pension Contribution	(1,209,508)	(1,086,085)	(989,601)	(955,652)	(928,907)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City Covered Payroll	$ 8,639,343	$ 8,354,500	$ 8,246,675	$ 7,963,767	$ 7,740,890
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%

	2013	2012	2011	2010	2009
Contractually Required Pension Contribution	$ 942,560	$ 690,548	$ 672,454	$ 602,574	$ 564,464
Pension Contributions in Relation to the Contractually Required Pension Contribution	(942,560)	(690,548)	(672,454)	(602,574)	(564,464)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City Covered Payroll	$ 7,250,462	$ 6,905,479	$ 6,724,542	$ 6,695,270	$ 6,640,752
Pension Contributions as a Percentage of Covered Payroll	13.00%	10.00%	10.00%	9.00%	8.50%

City of Twinsburg, Ohio
Required Supplementary Information

Schedule of City Pension Contributions
Ohio Public Employees Retirement System (OPERS) - Combined Plan
Last Ten Years

	2018	2017	2016	2015	2014
Contractually Required Pension Contribution	$ 39,459	$ 34,949	$ 31,960	$ 27,761	$ 24,833
Pension Contributions in Relation to the Contractually Required Pension Contribution	(39,459)	(34,949)	(31,960)	(27,761)	(24,833)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City Covered Payroll	$ 281,850	$ 268,838	$ 266,331	$ 231,342	$ 206,941
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%	12.00%

	2013	2012	2011	2010	2009
Contractually Required Pension Contribution	$ 27,381	$ 20,060	$ 19,535	$ 17,505	$ 16,397
Pension Contributions in Relation to the Contractually Required Pension Contribution	(27,381)	(20,060)	(19,535)	(17,505)	(16,397)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City Covered Payroll	$ 210,623	$ 200,601	$ 195,345	$ 194,495	$ 192,911
Pension Contributions as a Percentage of Covered Payroll	13.00%	10.00%	10.00%	9.00%	8.50%

City of Twinsburg, Ohio
Required Supplementary Information

Schedule of City Pension Contributions
Ohio Police and Fire Pension (OP&F)
Last Ten Years

	2018	2017	2016	2015	2014
Contractually Required Pension Contribution	$ 1,246,394	$ 1,247,068	$ 1,222,346	$ 1,143,718	$ 1,084,244
Pension Contributions in Relation to the Contractually Required Pension Contribution	(1,246,394)	(1,247,068)	(1,222,346)	(1,143,718)	(1,084,244)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City Covered Payroll	$ 5,907,431	$ 5,868,555	$ 5,762,591	$ 5,424,500	$ 5,108,843
Pension Contributions as a Percentage of Covered Payroll	21.10%	21.25%	21.21%	21.08%	21.22%

	2013	2012	2011	2010	2009
Contractually Required Pension Contribution	$ 930,836	$ 725,403	$ 748,985	$ 702,098	$ 713,159
Pension Contributions in Relation to the Contractually Required Pension Contribution	(930,836)	(725,403)	(748,985)	(702,098)	(713,159)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City Covered Payroll	$ 5,160,956	$ 4,877,787	$ 5,005,113	$ 4,697,080	$ 4,781,291
Pension Contributions as a Percentage of Covered Payroll	18.04%	14.87%	14.96%	14.95%	14.92%

City of Twinsburg, Ohio
Required Supplementary Information

Schedule of City OPEB Contributions
Ohio Public Employees Retirement System (OPERS)
Last Ten Years

	2018	2017	2016	2015	2014
Contractually Required OPEB Contribution	$ -	$ 95,986	$ 169,693	$ 165,582	$ 161,534
OPEB Contributions in Relation to the Contractually Required OPEB Contributions	-	(95,986)	(169,693)	(165,582)	(161,534)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City Covered Payroll	$ 8,921,193	$ 8,623,338	$ 8,513,006	$ 8,195,109	$ 7,947,831
OPEB Contributions as a Percentage of Covered Payroll	0.00%	1.00%	1.99%	2.02%	2.03%

	2013	2012	2011	2010	2009
Contractually Required OPEB Contribution	$ 76,280	$ 297,023	$ 289,241	$ 360,065	$ 432,198
OPEB Contributions in Relation to the Contractually Required OPEB Contributions	(76,280)	(297,023)	(289,241)	(360,065)	(432,198)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City Covered Payroll	$ 7,461,085	$ 7,106,080	$ 6,919,887	$ 6,889,765	$ 6,833,663
OPEB Contributions as a Percentage of Covered Payroll	1.02%	4.18%	4.18%	5.23%	6.32%

City of Twinsburg, Ohio
Required Supplementary Information

Schedule of City OPEB Contributions
Ohio Police and Fire Pension (OP&F)
Last Ten Years

	2018	2017	2016	2015	2014
Contractually Required OPEB Contribution	$ 29,537	$ 28,942	$ 28,762	$ 27,017	$ 25,780
OPEB Contributions in Relation to the Contractually Required OPEB Contributions	(29,537)	(28,942)	(28,762)	(27,017)	(25,780)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City Covered Payroll	$ 5,907,431	$ 5,868,555	$ 5,762,591	$ 5,424,500	$ 5,108,843
OPEB Contributions as a Percentage of Covered Payroll	0.50%	0.49%	0.50%	0.50%	0.50%

	2013	2012	2011	2010	2009
Contractually Required OPEB Contribution	$ 181,174	$ 329,251	$ 326,430	$ 317,053	$ 307,822
OPEB Contributions in Relation to the Contractually Required OPEB Contributions	(181,174)	(329,251)	(326,430)	(317,053)	(307,822)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
City Covered Payroll	$ 5,160,956	$ 4,877,787	$ 5,005,113	$ 4,697,080	$ 4,781,291
OPEB Contributions as a Percentage of Covered Payroll	3.51%	6.75%	6.52%	6.75%	6.44%

Pension

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2018.

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%. There were no changes in assumptions for 2018.

Ohio Police and Fire (OP&F) Pension Fund

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following were the most significant changes of assumptions that affected the total pension since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple.

Other Postemployment Benefits (OPEB)

Ohio Public Employees Retirement System (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%.

Ohio Police and Fire (OP&F) Pension Fund

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%.

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

July 31, 2019

City of Twinsburg
Summit County
10075 Ravenna Road
Twinsburg, Ohio 44087

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the **City of Twinsburg**, Summit County, (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 31, 2019, wherein we noted the Board adopted Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

Internal Control Over Financial Reporting

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

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

Internal Control Over Financial Reporting (Continued)

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

Compliance and Other Matters

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

Purpose of this Report

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

Perry & Associates CPA's A.C.

Perry and Associates
Certified Public Accountants, A.C.
Marietta, Ohio

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF TWINSBURG

SUMMIT 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
DECEMBER 24, 2019