CITY OF VAN WERT
VAN WERT COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF VAN WERT
VAN WERT COUNTY
DECEMBER 31, 2018

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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

City of Van Wert
Van Wert County
515 East Main Street
Van Wert, Ohio 45891

To the City of Council:

Report on the Financial Statements

We have audited the accompanying cash-basis financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Van Wert, Van Wert 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 the cash accounting basis Note 2 describes. This responsibility includes determining that the cash accounting basis is acceptable for the circumstances. Management is also responsible for designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Van Wert, Van Wert County, Ohio, as of December 31, 2018, and the respective changes in cash financial position and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting basis described in Note 2.

Accounting Basis

Ohio Administrative Code § 117-2-03(B) requires the City to prepare its annual financial report in accordance with accounting principles generally accepted in the United States of America. We draw attention to Note 2 of the financial statements, which describes the basis applied to these statements. The financial statements are prepared on the cash basis of accounting, which is a basis other than generally accepted accounting principles. We did not modify our opinion regarding this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 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.

Keith Faber
Auditor of State
Columbus, Ohio

August 20, 2019

City of Van Wert
Van Wert County
Statement of Net Position - Cash Basis
December 31, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Cash Equivalents	$7,007,895	$4,849,449	$11,857,344
Total Assets	$7,007,895	$4,849,449	$11,857,344
Net Position			
Restricted for:			
Capital Projects	$3,852,494		$3,852,494
Other Purposes	996,343		996,343
Unrestricted	2,159,058	$4,849,449	7,008,507
Total Net Position	$7,007,895	$4,849,449	$11,857,344

See accompanying notes to the financial statements.

City of Van Wert
Van Wert County
Statement of Activities - Cash Basis
For the Fiscal Year Ended December 31, 2018

		Program Cash Receipts			Net Receipts / (Disbursements) and Change in Net Position — Primary Government		
	Cash Disbursements	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
Current:							
Security of Persons and Property							
Police	$2,398,396	$19,005	$10,470		($2,368,921)		($2,368,921)
Fire	1,951,790	341,558			(1,610,232)		(1,610,232)
Other	518,535				(518,535)		(518,535)
Public Health	157,500				(157,500)		(157,500)
Leisure Time Activities	301,935	44,057			(257,878)		(257,878)
Community Environment	128,320	1,200	13,469		(113,651)		(113,651)
Transportation	1,495,095	12,994	523,881	$102,842	(855,378)		(855,378)
General Government	1,394,129	777,124	17,327		(599,678)		(599,678)
Intergovernmental	351,025				(351,025)		(351,025)
Capital Outlay	875,127				(875,127)		(875,127)
Debt Service							
Principle Retirement	55,000				(55,000)		(55,000)
Interest & Fiscal Charges	58,500				(58,500)		(58,500)
Total Governmental Activities	9,685,352	1,195,938	565,147	102,842	(7,821,425)		(7,821,425)
Business-Type Activities:							
Water	1,543,484	1,893,780	46,163			$396,459	396,459
Sewer	6,262,412	3,020,357	26,954	$3,474,032		258,931	258,931
Total Business-Type Activities	7,805,896	4,914,137	73,117	3,474,032		655,390	655,390
Total	$17,491,248	$6,110,075	$638,264	$3,576,874	(7,821,425)	655,390	(7,166,035)

	Governmental Activities	Business-Type Activities	Total
General Receipts:			
Property Taxes Levied for:			
General Purposes	344,384		344,384
Police Pension	44,536		44,536
Fire Pension	44,536		44,536
Income Taxes Levied for:			
General Purposes	4,470,856		4,470,856
Police and Fire	939,366		939,366
Transportation	2,157,843		2,157,843
Other Local Taxes - Hotel Motel	152,906		152,906
Grants and Entitlements not Restricted to Specific Programs	311,331		311,331
Franchise Fees	111,531		111,531
Interest	211,052		211,052
Miscellaneous	184,223		184,223
Payment in Lieu of Taxes .	349,172		349,172
Refund of prior year expenditures	183,308		183,308
Total General Receipts	9,505,044		9,505,044
Transfers	6,151	(6,151)	
Change in Net Position	1,689,770	649,239	2,339,009
Net Position at Beginning of Year	5,318,125	4,200,210	9,518,335
Net Position at End of Year	$7,007,895	$4,849,449	$11,857,344

See accompanying notes to the financial statements.

City of Van Wert
Van Wert County

Statement of Assets And Fund Balances - Cash Basis
Governmental Funds
December 31, 2018

	Governmental Funds				
	General	Street Construction	Police & Fire	Other Governmental	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Cash Equivalents	$1,929,498	$3,198,735	$601,121	$1,278,541	$7,007,895
Total Assets	$1,929,498	$3,198,735	$601,121	$1,278,541	$7,007,895
Fund Balances:					
Nonspendable Fund Balance	$7,025				$7,025
Restricted Fund Balance		$3,198,735	$601,121	$1,094,963	4,894,819
Committed Fund Balance	427,712			183,578	611,290
Assigned Fund Balance	276,804				276,804
Unassigned Fund Balance	1,217,957				1,217,957
Total Fund Balances	$1,929,498	$3,198,735	$601,121	$1,278,541	$7,007,895

See accompanying notes to the financial statements.

City of Van Wert
Van Wert County

Statement of Revenues, Expenditures, and Changes in Fund Balances - Cash Basis
Governmental Funds
For the Year Ended December 31, 2018

	Governmental Funds				
	General	Street Construction	Police & Fire	Other Governmental	Total Governmental Funds
Revenues					
Property Taxes	$344,384			$89,072	$433,456
Municipal Income Taxes	4,470,856	$2,157,843	$625,686	313,682	7,568,067
Permissive Motor Vehicle License Taxes				27,539	27,539
Payment In Lieu of Taxes				349,172	349,172
Other Local Taxes	54,339			98,567	152,906
Charges for Services	437,170	5,164		2,330	444,664
Fees, Licenses, and Permits	515,570			10,136	525,706
Fines and Forfeitures				337,100	337,100
Intergovernmental	292,168	102,842		515,232	910,242
Interest	202,428			8,624	211,052
Gifts and Donations				13,124	13,124
Other	162,839	200,752	13,153	19,200	395,944
Total Revenues	6,479,754	2,466,601	638,839	1,783,778	11,368,972
Expenditures					
Current:					
Security of Persons and Property					
Police	2,178,491			219,905	2,398,396
Fire	1,734,628			217,162	1,951,790
Other	515,939			2,596	518,535
Public Health	157,500				157,500
Leisure Time Activities	301,935				301,935
Community Environment				128,320	128,320
Transportation		878,761		616,334	1,495,095
General Government	1,235,900			159,468	1,395,368
Intergovernmental				351,025	351,025
Capital Outlay	35,506		839,621		875,127
Total Expenditures	6,159,899	878,761	839,621	1,694,810	9,573,091
Excess of Revenues Over (Under) Expenditures	319,855	1,587,840	(200,782)	88,968	1,795,881
Other Financing Sources (Uses)					
Debt Service:					
Principal Retirement				(55,000)	(55,000)
Interest and Fiscal Charges				(58,500)	(58,500)
Transfers In	140,147			49,284	189,431
Transfers Out	(176,493)	(3,764)		(1,785)	(182,042)
Total Other Financing Sources (Uses)	(36,346)	(3,764)		(66,001)	(106,111)
Change in Fund Balance	283,509	1,584,076	(200,782)	22,967	1,689,770
Fund Balance Beginning of Year	1,645,989	1,614,659	801,903	1,255,574	5,318,125
Fund Balance End of Year	$1,929,498	$3,198,735	$601,121	$1,278,541	$7,007,895

See accompanying notes to the financial statements.

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

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues:				
Property Taxes	$365,250	$365,250	$344,384	($20,866)
Municipal Income Taxes	4,337,000	4,337,000	4,470,856	133,856
Other Local Taxes	48,000	48,000	54,339	6,339
Charges for Services	429,750	429,750	437,170	7,420
Fees, Licenses, and Permits	478,000	478,000	473,597	(4,403)
Intergovernmental	282,335	282,335	292,168	9,833
Interest	135,000	135,000	202,428	67,428
Other	68,850	68,850	204,812	135,962
Total Revenues	6,144,185	6,144,185	6,479,754	335,569
Expenditures:				
Current:				
Security of Persons and Property				
Police	2,272,515	2,296,904	2,166,922	129,982
Fire	1,838,802	1,847,205	1,724,931	122,274
Other	529,929	569,325	521,262	48,063
Public Health	157,500	157,500	157,500	0
Leisure Time Activities	313,744	328,208	300,459	27,749
General Government	1,295,695	1,329,237	1,232,263	96,974
Capital Outlay	49,118	49,618	35,506	14,112
Total Expenditures	6,457,303	6,577,997	6,138,843	439,154
Excess of Revenues Over / (Under) Expenditures	(313,118)	(433,812)	340,911	774,723
Other Financing Sources (Uses):				
Transfers In	50,500	50,500	59,220	8,720
Transfers Out	(101,620)	(105,015)	(104,404)	611
Total Other Financing Sources (Uses)	(51,120)	(54,515)	(45,184)	9,331
Change in Fund Balance	(364,238)	(488,327)	295,727	784,054
Fund Balance at Beginning of Year	1,385,958	1,385,958	1,385,958	0
Prior Year Encumbrances Appropriated	24,731	24,731	24,731	
Fund Balance at End of Year	$1,046,451	$922,362	$1,706,416	$784,054

See Accompanying Notes to Basic Financial Statements.

City of Van Wert
Van Wert County

Statement of Fund Net Position - Cash Basis
Proprietary Funds
December 31, 2018

	Water	Sewer	Total Business-Type Activities
Assets			
Current Assets			
Equity in Pooled Cash and Cash Equivalents	$ 1,317,658	$ 3,531,791	$ 4,849,449
Total Assets	$ 1,317,658	$ 3,531,791	$ 4,849,449
Net Position			
Unrestricted	$ 1,317,658	$ 3,531,791	$ 4,849,449
Total Net Position	$ 1,317,658	$ 3,531,791	$ 4,849,449

See Accompanying Notes to the Basic Financial Statements

City of Van Wert
Van Wert County

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

	Water	Sewer	Total Business-Type Activities	Governmental Activity City Garage
Operating Revenues				
Charges for Services	$1,893,780	$3,020,357	$4,914,137	$238,484
Intergovernmental	46,163	51,378	97,541	
Total Operating Revenues	1,939,943	3,071,735	5,011,678	238,484
Operating Expenses				
Personal Services	854,341	838,865	1,693,206	117,506
Contractual Services	3,713	3,713	7,426	
Materials and Supplies	558,367	741,183	1,299,550	119,740
Capital Outlay	127,063	4,003,696	4,130,759	
Utility Deposits Refunded		43,303	43,303	
Debt Service				
Principal Retirement		580,709	580,709	
Interest and Fiscal Charges		50,943	50,943	
Total Operating Expenses	1,543,484	6,262,412	7,805,896	237,246
Operating Income (Loss)	396,459	(3,190,677)	(2,794,218)	1,238
Non-Operating Revenues				
Loan Proceeeds		3,449,608	3,449,608	
Total Non-Operating Revenues		3,449,608	3,449,608	
Income before Transfers	396,459	258,931	655,390	1,238
Other Financing Sources (Uses)				
Transfers In		12,869	12,869	
Transfers out	(9,883)	(9,137)	(19,020)	(1,238)
Total Other Financing Sources (Uses)	(9,883)	3,732	(6,151)	(1,238)
Change in Net Position	386,576	262,663	649,239	
Net Position Beginning of Year	931,082	3,269,128	4,200,210	0
Net Position End of Year	$1,317,658	$3,531,791	$4,849,449	$0

See Accompanying Notes to the Basic Financial Statements

City of Van Wert
Van Wert County

Statement of Fiduciary Net Position - Cash Basis
Fiduciary Funds
December 31, 2018

	Private Purpose Trust	Agency
Assets:		
Equity in Pooled Cash and Cash Equivalents	$ 37,479	$ 7,759
Cash and Cash Equivalents in Segregated Account		114,509
	$ 37,479	$ 122,268
Liabilities:		
Deposits Held and Due to Others		$ 114,509
Total Liabilities		114,509
Net Position		
Held for Fire Department		7,759
Endowment	$ 37,479	
Total Net Position	$ 37,479	$ 7,759

See Accompanying Notes to Basic Financial Statements

City of Van Wert
Van Wert County

Statement of Changes In Fiduciary Net Position - Cash Basis
Fiduciary Funds
For the Year Ended December 31, 2018

	Private Purpose Trust
Additions	
Interest	$690
	690
Deductions	
Other	
Total Deductions	
Change in Net Position	690
Net Position - Beginning of Year	36,789
Net Position - End of Year	$37,479

See Accompanying Notes to Basic Financial Statements

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1. REPORTING ENTITY

The City of Van Wert (the City) is a home rule municipal corporation established under the laws of the State of Ohio. The City operates under the Mayor/Council form of government. Four council members are elected from wards for two year terms. The President of Council and three council members are elected by separate ballot from the municipality at large for two year terms. The Mayor is elected for a four year term. The Mayor may veto any legislation passed by Council. In addition to establishing City policies, Council is responsible for passing ordinances, adopting the budget, and appointing boards and commissions. The Mayor is responsible for carrying out the policies and ordinances of Council, for overseeing the day-to-day operations of the City and for appointing the heads of the various City departments.

The reporting entity is composed of the primary government, component unit, and other organizations that are included to ensure the financial statements of the City are not misleading.

A. Primary Government

The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the City. The primary government of the City of Van Wert provides the following services to its citizens: police and fire protection, emergency medical transportation, parks and recreation, building inspection, street maintenance and repairs, water, sewer services as well as a staff to provide support (i.e., payroll processing, accounts payable, and revenue collection) to the service providers. Council has direct responsibility for these services.

B. Component Units

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. The City is also financially accountable for any organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt, or the levying of their taxes. Component units also include legally separate, tax-exempt entities whose resources are for the direct benefit of the City, are accessible to the City and are significant in amount to the City. There were no component units of the City of Van Wert in 2018.

C. Joint Ventures/Jointly Governed Organizations

A joint venture is a legal entity or other organization that results from a contractual arrangement that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. Under the cash basis of accounting, the City does not report assets for equity interests in joint ventures. The City also participates in two jointly governed organizations, two public entity risk pools, and is associated with a related organization. These organizations are described in Notes 17, 18 and 19.

The City's management believes these financial statements present all activities for which the City is financially accountable.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed further in Note 2.C, these financial statements are presented on a cash basis of accounting. This cash basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements, which have been applied to the extent they are applicable to the cash basis of accounting. Following are the more significant of the City's accounting policies.

A. Basis of Presentation

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

1. Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" receipts and disbursements. The statements distinguish between those activities of the City that are governmental in nature and those that are considered business-type activities. Governmental activities generally are financed through taxes, intergovernmental receipts or other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of net position presents the cash balance of the governmental and business-type activities of the City at year end. The statement of activities compares disbursements and program receipts for each program or function of the City's governmental activities and business-type activities. Disbursements are reported by function. A function is a group of related activities designed to accomplish a major service or regulatory program for which the City is responsible.

Program receipts 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 receipts of interest earned on grants that are required to be used to support a particular program. Receipts which are not classified as program receipts are presented as general receipts of the City, with certain limited exceptions. The comparison of direct disbursements with program receipts identifies the extent to which each governmental program or business activity is self-financing on a cash basis or draws from the general receipts of the City.

2. Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level.

The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Proprietary fund statements distinguish operating transactions from nonoperating transactions. Operating receipts generally result from exchange transactions such as charges for services directly relating to the funds' principal services. Operating disbursements include costs of sales and services and administrative costs. The fund statements report all other receipts and disbursements as nonoperating.

B. Fund Accounting

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

1. Governmental Funds

Governmental funds are those through which most governmental functions of the City are financed. The following are the City's major governmental funds:

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

Street Construction Fund - The Street Construction Fund accounts for all financial resources resulting from .50 percent income tax. The Street Construction Fund is for the following purpose: to design, build, maintain and inspect City streets for any related equipment, labor, materials and supplies.

Police and Fire Fund – The Police and Fire Fund accounts for all financial resources resulting from the .22 percent income tax. The Police and Fire Fund is for the capital purchases for the City safety departments (police and fire departments). The purpose of this fund was amended in 2009 by ballot. Starting in 2010 based on the prior year tax budget, up to 2/3 of the current year tax revenues can be used for personal and fringe benefit expense for police and fire personnel.

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

2. Proprietary Funds

The City classifies funds financed primarily from user charges for goods or services as proprietary. Proprietary funds are classified as either enterprise funds or 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:

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

Sewer Fund - The sewer fund accounts for the provision of sanitary sewer services to the residents and commercial users within the City.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City's internal service fund accounts for monies received for the activities of the garage fund.

3. 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 not available to support the City's own programs. The City's trust fund accounts for an endowment in which only the income is to be used to remove dead or dangerous trees from the City property between the sidewalk and the streets. Agency funds are purely custodial in nature and are used to account for assets held by the City for individuals, other governments, or other organizations. The City's agency fund accounts for the activity of the municipal court and Fire Department Welfare Trust.

C. Basis of Accounting

The City's financial statements are prepared using the cash basis of accounting. Receipts are recorded in the City's financial records and reported in the financial statements when cash is received rather than when earned and disbursements are recorded when cash is paid rather than when a liability is incurred.

As a result of the use of the cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

D. Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates.

The certificate of estimated resources establishes a limit on the amount City Council may appropriate. The appropriations ordinance is City Council's authorization to spend resources and sets annual limits on disbursements plus encumbrances at the level of control selected by City Council. The legal level of control has been established by City Council at the fund, department, and object level for all funds.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

E. Cash and Investments

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

Cash and cash equivalents that are held separately within the Municipal Court of the City (Agency Fund) are recorded as “Cash and Cash Equivalents in Segregated Account”.

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

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During the year 2018, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The City also implemented GASB Statement No. 79 for 2016. 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 an NAV per share that approximates fair value.

For the year 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 $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Interest earnings are allocated to City funds according to State statutes, the Charter and Codified Ordinances of the City, grant requirements, or debt related restrictions. Interest receipts credited to the General Fund during 2018 was $202,428 which includes $198,421 assigned from other City funds.

F. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

constitutional provisions or enabling legislation. Unclaimed monies that are required to be held for five years before they may be utilized by the City are reported as nonspendable.

G. Inventory and Prepaid Items

The City reports disbursements for inventory and prepaid items when paid. These items are not reflected as assets in the accompanying financial statements.

H. Capital Assets

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets in the accompanying financial statements.

I. Accumulated Leave

In certain circumstances, such as upon leaving employment or retirement, employees are entitled to cash payments for unused leave. Unpaid leave is not reflected as a liability under the City's cash basis of accounting.

J. Employer Contributions to Cost-Sharing Pension Plans

The City recognizes the disbursement for employer contributions to cost-sharing pension plans when they are paid. As described in Notes 9 and 10, the employer contributions include portions for pension benefits and for postretirement health care benefits.

K. Long-Term Obligations

The City's cash basis financial statements do not report liabilities for bonds and other long-term obligations. Proceeds of debt are reported when cash is received and principal and interest payments are reported when paid.

L. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for construction, repair, and maintenance of State highways and local streets, recreation, and other revenues restricted for use by the municipal court and police department. The City's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted resources are available.

M. 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 are 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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, the 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, or by State Statute.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

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

N. Interfund Transactions

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

Exchange transactions between funds are reported as receipts in the seller funds and as disbursements in the purchaser funds. Subsidies 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 receipts/disbursements in proprietary funds. Repayments from funds responsible for particular disbursements to the funds that initially paid for them are not presented in the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Pensions/Other Postemployment Benefits (OPEB)

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

3. COMPLIANCE

Ohio Administrative Code, Section 117-2-03 (B), requires the City to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). For 2018, the City prepared its financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement, No, 34, report on a basis of cash receipts and cash disbursements rather than GAAP. The accompanying financial statements and notes omit assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equities, and disclosures that, while material, cannot be determined at this time. Pursuant to Ohio Revised Code Section 117.38, the City may be fined, and subject to various other administrative remedies for its failure to file the required financial report.

4. DEPOSITS AND INVESTMENTS

Monies held by the City are classified by State statute into three categories.

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

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

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

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;

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

4. DEPOSITS AND INVESTMENTS (Continued)

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

4. Bonds and other obligations of the State of Ohio or Ohio local governments, with certain limitations including requirement for maturity within 10 years from date of settlement;

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year end, the City had $1,027 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year end, $282 of the City's bank balance of $325,694 exposed to custodial credit risk because those deposits were uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

4. DEPOSITS AND INVESTMENTS (Continued)

Investments

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

Investment Type	Cost Value	Investment Maturities (in Years) Less than 1	1-2	3-5	More than 5
Federal Farm Credit Banks	$ 500,000		$ 500,000		
Federal Home Loan Bank	3,750,000		500,000	3,250,000	
Federal National Mortgage Association	1,000,000			1,000,000	
Federal Home Loan Mortgage Corporation	1,000,000			1,000,000	
VW Municipal Court Improvement Bonds	1,245,000	$ 60,000	130,000	215,000	$ 840,000
Repurchase Agreements	4,216,041	4,216,041			
Huntington Money Market	59,565	59,565			
STAR Ohio	116,108	116,108			
Total Investments	$ 11,886,714	$ 4,451,714	$ 1,130,000	$ 5,465,000	$ 840,000

Interest Rate Risk Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk by requiring the 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.

Credit Risk The security underlying the repurchase agreement, the federal national mortgage association notes, federal farm credit banks, federal home loan mortgage corporation, and federal home loan bank carry a rating of Aaa by Moody's and AA+ by Standard and Poors. STAR Ohio carries a rating of AAAm by Standard and Poor's. The City has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The repurchase agreement, federal national mortgage association notes and the federal home loan bank notes are exposed to custodial credit risk as they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the City's name.

The City has no investment policy dealing with investment custodial risk beyond the requirements in ORC 135.14(M)(2) which states, "Payment for investments shall be made only upon the delivery of securities representing such investments to the treasurer, investing authority, or qualified trustee. If the securities transferred are not represented by a certificate, payment shall be made only upon receipt of confirmation of transfer from the custodian by the treasurer, governing board, or qualified trustee."

Concentration of Credit Risk the City places no limit on the amount it may invest in any one issuer. The following investments represent total investments as of December 31, 2018:

4. DEPOSITS AND INVESTMENTS (Continued)

Investment Issuer	Percentage of Investments
Federal Home Loan Mortgage Corporation	8%
Federal Farm Credit Banks	4%
Repurchase Agreements	35%
Federal National Mortgage Assn	8%
Federal Home Loan Bank	32%
VW Municipal Ct Improvement Bonds	11%
Huntington Money Market	1%
STAR Ohio	1%
Total	100%

5. INCOME TAX

The City levies a 1.72 percent income tax on substantially all income earned in the City. In addition, City residents employed in municipalities having an income tax less than 1.72 percent must pay the difference to the City. Additional increases in the income tax rate require voter approval. Employers within the City withhold income tax on employee compensation and remit at least quarterly and file an annual declaration.

The City's income tax ordinance requires that .72 percent of the income tax levied is to be used to finance capital improvements. As a result, .50 percent of receipts are allocated to the street construction fund and .22 percent of receipts are allocated to the police and fire safety fund each year. Starting in 2010, based on the prior year tax budget, up to 2/3 of the .22 percent of receipts allocated to the police and fire safety fund can be used for personal and fringe benefit expense for police and fire personnel. An amended police and fire fund was established for this activity.

The remaining income tax receipts are to be used to pay the cost of administering the tax, general fund operations, capital improvements, debt service and other governmental functions when needed, as determined by Council. During 2018, the taxes were allocated to the general fund, street construction fund, police and fire safety fund, and amended police and fire safety fund.

6. TAX ABATEMENTS

As of December 31, 2018, the City provides tax abatements through three programs: The Community Reinvestment Area (CRA) Tax Abatements, Tax Increment Financing (TIF), and Tax Incentive Agreements.

COMMUNITY REINVESTMENT AREA (CRA)

The City has three Community Reinvestment Areas established under ORC 3735.66 allowing tax exemption of certain properties for real property tax. The amount of taxes abated for 2018 was $113,946.

TAX INCENTIVE AGREEMENT

The City has two Enterprise Zone Agreement established under ORC Chapter 5709. The amount of taxes abated for 2018 was $13,272

TAX INCREMENT FINANCING

The City has one Tax Increment Financing Agreement. The amount of taxes abated in 2018 was $349,172.

7. PROPERTY TAXES

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

2018 real property taxes are levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value.

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

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

The full tax rate for all City operations for the year ended December 31, 2018, was $3.2 per $1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Real Property	$162,484,970
Public Utility Personal Property	8,329,120
Total	$170,814,090

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

8. RISK MANAGEMENT

A. Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2018, the City contracted through Purmort Brothers Insurance Agency with Central Mutual Insurance for buildings and contents coverage. The City also contracted through Merkle Insurance Agency with the Public Entities Pool of Ohio for the remaining coverage.

Type of Coverage	Coverage	Deductible
Central Mutual Insurance		
Blanket Property and Contents, Replacement	$43,168,000	$5,000
Blanket Contents	$1,752,000	$5,000
Inland Marine	1,073,060	5,000
General Liability	4,000,000	0
Automobile Liability	4,000,000	0
Public Officials Liability	4,000,000	5,000
Police Professional Liability	4,000,000	3,000
Employment Practice Liability	4,000,000	5,000
Computer - Hardware	270,761	500
Public Employee Dishonesty	100,000	500
Money and Securities	20,000	500

8. RISK MANAGEMENT (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years and there was no significant reduction in coverage from the prior year.

The City is exposed to various risks of property and casualty losses, and injuries to employees.

The City insures against injuries to employees through the Ohio Bureau of Worker's Compensation.

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Insurance Services Group, Inc. (York) functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2018, PEP retained $350,000 for casualty claims and $100,000 for property claims.

The aforementioned casualty and property reinsurance agreement does not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2018:

	2018
Assets	$49,921,998
Liabilities	(14,676,199)
Net Position	$35,245,799

At December 31, 2018, the liabilities above include approximately $12.9 million of estimated incurred claims payable. The assets above also include approximately $11.8 million of unpaid claims to be billed.. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2018, the City's share of these unpaid claims collectible in future years is approximately $79,000.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

8. RISK MANAGEMENT (Continued)

2018 Contributions to PEP
$125,700

After one year of membership, a member may withdraw on the anniversary of the date of joining PEP, if the member notifies PEP in writing 60 days prior to the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's contribution. Withdrawing members have no other future obligation to PEP. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to the withdrawal.

B. Workers' Compensation

The City participates in the Ohio Association of Public Treasurers (GRP) for worker's compensation. The intent of the GRP is to achieve the benefit of reduced premiums for the participants, foster safer working conditions and foster cost-effective claims management skills by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating cities is calculated as one experience and a common premium is applied to all cities in the GRP. Each participant pays its workers' compensation premium to the state based on the rate for all cities in the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangements insures that each participant shares equally in the overall performance of the GRP. CompManagement provides administrative, cost control and actuarial services to the GRP.

C. Employee Medical Benefits

The City is an allocated balance member of the Jefferson Health plan for the City's self-insured health insurance for medical and prescription drug coverage and with Consumers Life Insurance as the Provider for the City's term life insurance, and accidental death and dismemberment and Vision Service plan for insurance for vision. Fund Reserves or deficits are held by the plans fiscal agent. As of December 31, 2018 the City reserve balance was ($80,373). Premiums for family, employee and children, employee and spouse and single were $2,238, $1,268, $1,492 and $746 for medical. In 2013 the City added a High Deductible Plan with Health Savings Account for health insurance. Premium for family, employee and children, employee and spouse, single were $2,111, $1,195, $1,407, and $703 for medical.

9. DEFINED BENEFIT PENSION PLANS

Pensions and OPEB 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.

9. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The remainder of this note includes the pension disclosures. See Note 10 for the OPEB disclosures.

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 plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

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
Public Safety	**Public Safety**	**Public Safety**
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	**Law Enforcement**	**Law Enforcement**
Age and Service Requirements: Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	**Public Safety and Law Enforcement**	**Public Safety and Law Enforcement**
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

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

When a traditional plan benefit recipient has received benefits for 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. Members retiring under the combined plan receive a cost–of–living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined

9. DEFINED BENEFIT PENSION PLANS (Continued)

contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the 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 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

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

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $389,961 for year 2018.

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

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 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

	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 $499,830 for 2018.

Net Pension Liability

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

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.019426%	0.036661%	0.1052430%	
Prior Measurement Date	0.020235%	0.044257%	0.1120697%	
Change in Proportionate Share	-0.0008090%	-0.007596%	-0.0068267%	
Proportionate Share of the:				
Net Pension Liability	$3,047,562	$49,907	$6,459,225	$9,556,694

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

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 periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

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

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 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 percent for 2017.

9. DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's proportionate share of the net pension liability	$5,411,695	$3,047,562	$1,076,589

Changes Between the Measurement Date and the Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net pension liability is not known.

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

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. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

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

	January 1, 2017	January 1, 2016
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 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	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2017, valuation, 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

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

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

9. DEFINED BENEFIT PENSION PLANS (Continued)

For the January 1, 2016 valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected 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 For 2017, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2016 was 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of

9. DEFINED BENEFIT PENSION PLANS (Continued)

return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$8,954,198	$6,459,225	$4,424,370

Social Security

Several City's employees contributed to Social Security. This plan provides retirement benefits, including survivor and disability benefits to participants.

Employees contributed 6.2 percent of their gross salaries. The City contributed an amount equal to 6.2 percent of participants' gross salaries. The City has paid all contributions required through December 31, 2018.

10. POSTEMPLOYMENT BENEFITS

For 2018, Governmental Accounting Standards Board (GASB) Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" was effective. This GASB pronouncement had no effect on beginning net position as reported January 1, 2018, as the net OPEB liability is not reported in the accompanying financial statements. The net OPEB liability has been disclosed below.

The net OPEB liability is disclosed as a commitment and not reported on the face of the financial statements as a liability because of the use of the cash basis framework.

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.

10. POSTEMPLOYMENT BENEFITS (Continued)

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 2017 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 $624 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.

10. POSTEMPLOYMENT BENEFITS (Continued)

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 $11,675 for 2018.

Net OPEB Liability

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,

10. POSTEMPLOYMENT BENEFITS (Continued)

2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, toDecember 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.020210%	0.1052430%	
Prior Measurement Date	0.000000%	0.0000000%	
Change in Proportionate Share	0.0202100%	0.1052430%	
Proportionate Share of the Net OPEB Liability	$2,194,657	$5,962,915	$8,157,572

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.

10. POSTEMPLOYMENT BENEFITS (Continued)

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.

10. POSTEMPLOYMENT BENEFITS (Continued)

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

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

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	$2,915,697	$2,194,657	$1,611,343

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 Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$2,099,819	$2,194,657	$2,292,622

Changes Between the Measurement Date and the Report Date

In October 2018, the OPEB Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net pension liability is not known.

10. POSTEMPLOYMENT BENEFITS (Continued)

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.

10. POSTEMPLOYMENT BENEFITS (Continued)

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

10. POSTEMPLOYMENT BENEFITS (Continued)

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	$7,453,723	$5,962,915	$4,815,814

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:

10.POSTEMPLOYMENT BENEFITS (Continued)

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 Rates	1% Increase
City's proportionate share of the net OPEB liability	$4,632,104	$5,962,915	$7,756,412

11. DEBT

The changes in the City's debt payable during 2018 were as follows:

Governmental Activities	Outstanding 12/31/17	Issued	Retired	Outstanding 12/31/18`
4.50% VW Municipal Court Improvement Bonds	$1,300,000		$55,000	$1,245,000
Total Governmental Activities	1,300,000		55,000	1,245,000
Business Type Activities				
0.00% OPWC Allingham/Bonnewitz Pump Station	475,975		43,271	432,704
0.00% OWDA Loan #8055		$3,449,608	24,424	3,425,184
3.91% OWDA Loan #2549	5,752		5,752	0
4.12% OWDA Loan #2548	73,040		73,040	0
3.81% OWDA Loan #2550	1,309,049		356,540	952,509
4.65% OWDA Loan #3576	288,253		77,682	210,571
Total Business Type Activities	2,152,069	3,449,608	580,709	5,020,968
Total	$3,452,069	$3,449,608	$635,709	$6,265,968

Van Wert Municipal Court Improvement Bonds

On February 16, 2013, the City issued $1,500,000 in un-voted general obligation bonds to for the purpose of acquiring and renovating a building for use as a municipal court. The bonds were issued for a twenty year period with final maturity in 2033. The bonds will be paid from the Municipal Court Special Projects Fund.

11. DEBT (Continued)

Ohio Water Development Authority (OWDA)

OWDA Loans number 2548 and 2549 relate to a Wastewater Sludge Processing project. The OWDA has approved up to $1,137,460 in loans to the City for this project. The OWDA loan 2548 will be repaid in semiannual installments of $37,668, including interest, over 20 years. The scheduled payments and principal amount reflected for OWDA loan 2548 includes capitalized interest of $25,486. The OWDA loan 2549 is being repaid in semiannual installments of $2,961 including interest, over 20 years which is based upon an amortization schedule developed for a $81,629 loan. Loans are being retired from the sewer enterprise fund. Both loans were retired in 2018.

Ohio Water Development Authority (OWDA) loan number 2550 relates to Wastewater Treatment Plant Improvements project and includes capitalized interest of $334,067. The City does not receive all of the funds for this project due to OWDA paying the contractors directly. Semiannual payments are set at $201,526, including interest. Loan is being retired from the sewer enterprise fund.

Ohio Water Development Authority (OWDA) loan number 3576 was a loan that was drawn during 2001 to be used as a payment against OWDA loan number 2550 during 2002. Total loan amount of $1,166,155 payable over 20 years. The City is making semi-annual payments of $45,097 including interest. Loan is being retired from the sewer enterprise fund.

OWDA loan 8055 was entered into in 2018. The loan is for $7,053,200 for construction of a CSO pump station and diversion overflow structure. The loan is to be paid from the sewer enterprise fund in semi annual installments for 20 years with the first payment scheduled for 2020. No amortization table is currently available.

Ohio Public Works Commission (OPWC) Loan:

The OPWC loan consists of $865,410 owed to the Ohio Public Works Commission for the Allingham / Bonnewitz Pump Station. The OPWC loan is payable over a term of 20 years at an interest rate of 0%. The City began making semi- annual principal payments of $21,635 on July 1, 2009. Loan is being retired from the sewer enterprise fund.

Amortization of the above bond (long term) debt, including interest, is scheduled as follows:

	Business Type Activities				
	OWDA Loans		OPWC Loan	Municipal Court Bonds	
Year	Principal	Interest	Principal	Principal	Interest
2019	$ 451,590	$ 34,681	$ 43,271	$ 60,000	$ 56,025
2020	469,657	19,642	43,270	65,000	53,325
2021	241,833	3,991	43,271	65,000	50,400
2022			43,270	70,000	47,475
2023			43,270	70,000	44,325
2024-2028			216,353	410,000	170,550
2028-2033				505,000	69,975
	$ 1,163,080	$ 58,314	$ 432,705	$ 1,245,000	$ 492,075

The Ohio Revised Code provides that net general obligation debt of the City, exclusive of certain exempt debt, issued without a vote of the electors shall never exceed 5.5 percent of the tax valuation of the City. The Revised Code further provides that total voted and unvoted net debt of the City less the same exempt debt shall never exceed amount equal to 10.5 percent of its tax valuation. The effects of the debt limitations at December 31, 2018 were an overall debt margin of $17,584,112 and an unvoted debt margin of $9,034,408.

12. 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 balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Street Construction	Police & Fire	Other Governmental Funds	Total
Nonspendable					
Unclaimed Monies	$7,025				$7,025
Total Nonspendable	7,025				7,025
Restricted for					
Street Construction		$3,198,735			3,198,735
Police & Fire Capital			$601,121	$1,094,963	1,696,084
Total Restricted		3,198,735	601,121	1,094,963	4,894,819
Committed to					
Other Purposes	427,712			183,578	611,290
Total Committed	427,712			183,578	611,290
Assigned to					
Unpaid Obligations	276,804				276,804
Total Assigned	276,804				276,804
Unassigned (deficits):	1,217,957				1,217,957
Total Fund Balances	$1,929,498	$3,198,735	$601,121	$1,278,541	$7,007,895

13. INTERFUND TRANSFERS

During 2018 the following transfers were made:

	Transfers From						
Transfers To	General	Construction	Funds	Water	Sewer	Garage	Total
			Other				
		Street	Governmental				
General Fund	$114,340	$3,764	$1,785	$9,883	$9,137	$1,238	$140,147
Sewer	12,869						12,869
Other Governmental Funds							
Economic Development	49,284						49,284
Total	$176,493	$3,764	$1,785	$9,883	$9,137	$1,238	$202,300

Transfers to the General Fund were for funds that rolled with the General for reporting purposes (27th pay and retirement).

14. CONSTRUCTION AND CONTRACTUAL COMMITMENTS

The City had the following significant contractual commitments outstanding as of December 31, 2018:

Scalertron Industries	$ 30,000
Cargill, Inc	$ 30,000
Hohenbrink Excavators	$ 1,198,476
Peram Electric	$ 229,329
Peterson Construction	$ 3,603,592
Poggemeier	$ 111,892
Reineke Ford	$ 39,219

15. BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balances on the cash basis, the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Change in Fund Balance – Budget (Non-GAAP Basis) and Actual presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The difference between the budget basis and the cash basis is outstanding year end encumbrances are treated as disbursements (budget) rather than as part of restricted, committed or assigned fund balance (cash). The encumbrances outstanding at year end (budgetary basis) amount to $31,949 in the general fund. The following table summarizes the adjustments necessary to reconcile the cash basis statement to the budgetary basis statement:

Net Change in Fund Balance

	General
Cash Basis	$1,929,498
Funds budgeted elsewhere**	(244,137)
Hospitalization Deficit	53,006
Adjustment for Encumbrances	(31,949)
Budget Basis	$1,706,418

** Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on an OCBOA basis. This includes the 27th pay and Retirement funds.

16. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the City are subject to audit and adjustment by the grantor, principally the federal government. Grantors may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.

17. JOINTLY GOVERNED ORGANIZATIONS

Van Wert County Regional Planning Commission - (the Commission) is a jointly governed organization among the County, City of Van Wert, and cities and villages within the County. The degree of control exercised by any participating government is limited to its representation on the Board. The Board is comprised of thirty members of which, two-thirds are elected officials. The County must be represented by the three County Commissioners, a County Health Official, the County Engineer, the County Recorder, the County Auditor, the Sheriff and the County Extension Agent. Other members include: a representative from all participating Boards of Township Trustees: the Mayor or a Council member of each participating incorporated village; two representatives from the City of Van Wert, one being the Mayor or his designee and one being appointed by City Council.

The remaining members of the Commission are representatives from public utility, minority groups, business industry, Ministerial Association, farm organizations, Chamber of Commerce and other representatives as deemed necessary by the Commission.

17. JOINTLY GOVERNED ORGANIZATIONS (Continued)

The Commission makes studies, maps, plan, recommendations and reports, concerning the physical, environmental, social, economic, and governmental characteristic, functions, and services of the County. The City contributed $3,796 in 2018 for operations of the Commission. The Commission is not accumulating significant financial resources and is not experiencing fiscal stress that may cause an additional financial benefit to or burden on members in the future. Complete financial statement can be obtained from the Commission located at 121 East Main, Van Wert, Ohio 45891.

Community Improvement Corporation of the City of Van Wert and the County of Van Wert, Ohio (the CIC) – The CIC of the City of Van Wert and the County of Van Wert, Ohio. The CIC is a jointly governed organization between the City and the County. The general purpose of the CIC is to pursue and maintain economic development within the County.

The CIC is governed by a Board of Trustees made up of fifteen members, who include: three elected or appointed officers of the City, to be designated annually by the Board of County Commissioners; six people to be designated annually by the Board of Trustees of the Van Wert Area Chamber of Commerce; the President of the Van Wert Industrial Development Corporation (in ex officio status); and two people who are residents of the County, to be elected at the annual meeting of the members by a majority of the members listed previously.

18. RELATED ORGANIZATION

The constitution and laws of the State of Ohio establish the rights and privileges for the Woodland Union Cemetery, Van Wert County, (the Cemetery). Pleasant Township and the City of Van Wert appoint a three-member Board of Trustees to direct cemetery operations. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel, and does not depend on the City for operational subsidies. Although the City serves as the taxing authority, its role is limited to a ministerial function. The determination to request approval of a tax, the rate, and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Woodland Union Cemetery, 10968 Woodland Avenue, Van Wert, Ohio 45891.

19. PUBLIC ENTITY RISK POOL

A. Public Entities Pool of Ohio (PEP)

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. PEP is a member of the American Public Entity Excess Pool (APEEP), which is also administered by ARPCO. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles. (See Note 8)

B. Ohio Association of Public Treasurers Group Rating Plan (GRP)

The City participates in the Ohio Association of Public Treasurers Group Rating Plan (GRP) for workers' compensation. The GRP is an up-front premium savings for the City's Ohio Bureau of Workers' Compensation premium. The GRP is based upon claims that have already occurred for the member participants. The GRP is offered in conjunction with CompManagement, LLC, the City's Third Party administrator for workers' compensation. Within that capacity, CompManagement provides risk management services to the City of Van Wert. Each year, the participants pay an enrollment fee to the program to cover the costs of administering the program. (See Note 8)

20. CHANGE IN ACCOUNTING PRINCIPLES

For 2018, the City has implemented Governmental Accounting Standard Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits other than Pensions". This statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). In addition, the City has implemented Governmental Accounting Standard Board Statement No. 82, 'Pension Issues – An Amendment of GASB Statements No. 67, No. 68 and no. 73". This statement addresses issues regarding (1) the presentation of payroll-related measures in required supplemental information, (2) the selection of assumptions and the treatment deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. These changes have no effect on the City's January 1, 2018 net position or fund balance as previously reported. Implementation of GASB 75 required additional note disclosures related to OPEB (see Note 10).

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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*

City of Van Wert
Van Wert County
515 East Main Street
Van Wert, Ohio 45891

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 cash-basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Van Wert , Van Wert 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 August 20, 2019, wherein we noted the City uses a special purpose framework other than generally accepted accounting principles.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2018-002 to be a material weakness.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matter we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2018-001.

City*'s Response to Findings*

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not subject the City's responses to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

August 20, 2019

SCHEDULE OF FINDINGS
DECEMBER 31, 2018

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

FINDING NUMBER 2018-001

Noncompliance

Ohio Rev. Code § 117.38 provides, in part, that each public office, other than a state agency, shall file a financial report for each fiscal year. The auditor of state may prescribe forms by rule or may issue guidelines, or both, for such reports. If the auditor of state has not prescribed a rule regarding the form for the report, the public office shall submit its report on the form utilized by the public office. Ohio Administrative Code § 117-2-03(B) further clarifies the requirements of Ohio Rev. Code § 117.38.

Ohio Admin. Code § 117-2-03(B) requires the City to file annual financial reports which are prepared using generally accepted accounting principles (GAAP). However, the City prepared its financial statements that, although formatted similar to financial statements prescribed by Governmental Accounting Standards Board Statement No. 34, report on the basis of cash receipts and cash disbursements, rather than GAAP. The accompanying financial statements and notes omit certain assets, liabilities, deferred inflows/outflows of resources, fund equities/net position and disclosures that, while presumed material, cannot be determined at this time. Pursuant to Ohio Rev. Code § 117.38, the City may be fined and subject to various other administrative remedies for its failure to file the required financial report.

The City did not file financial statements in accordance with GAAP for the year ending December 31, 2018.

Failure to report on a GAAP basis compromises the City’s ability to evaluate and monitor the overall financial condition of the City. To help provide the users with more meaningful financial statements, the City should prepare its annual financial statements in accordance with GAAP to include assets, liabilities, deferred inflows/outflows of resources, fund equity/net position and the disclosures required to accurately and completely present the City's financial condition.

Officials’ Response:

The City prepares its financial statements utilizing an Other Comprehensive Basis of Accounting. The City is unable to prepare GAAP statements due to the lack of an adequate inventory of assets. The City is willing to take the risk of being fined as opposed to incurring the expense of a city wide inventory.

FINDING NUMBER 2018-002

Accuracy of Financial Reporting – Material Weakness

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of its financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16.

The City posted transactions to the accounting system; however, not all transactions were properly posted to the correct accounts and/or funds. Also, some activity was not properly reported in the annual financial statement report filed on the HINKLE system. These errors may have occurred due to the lack of procedures in place to provide for the review by someone independent of the preparation of the annual financial report before it is filed on the HINKLE system.

FINDING NUMBER 2018-002

(Continued)

The following adjustments were made to the City's financial statements:

Statement of Net Position:

- A decrease to the amount reported as equity in pooled cash and cash equivalents due to amount being recorded in error greater than the actual amount for Governmental Activities by $62,808.

Statement of Activities:

- A reclassification to increase capital grants and contributions program cash receipts for the transportation expenditure line item and reduce refund of prior year expenditures general receipts by the same amount of $102,842 for Governmental Type Activities to properly classify grant revenues received in the Street Construction Fund.
- An adjustment to increase capital grants and contributions program revenues and increase Sewer expenses by $24,424 for Business-Type Activities to properly report a principal forgiveness receipt and payment from Ohio Water Development Authority (OWDA).

Statement of Assets and Fund Balances – Governmental Funds:

- An increase in equity in pooled cash and cash equivalents and an increase in unassigned fund balance in the General Fund in the amount of $9,803 to properly record the hospitalization deficit.

Statement of Revenues, Expenditures, and Change in Fund Balances – Governmental Funds:

- An increase to intergovernmental revenue by $102,842 and a decrease in the other revenue line item due to grant funds being improperly recorded as other revenue for the Street Construction Fund.
- An increase to transportation expenditures by $9,803 to properly record the hospitalization deficit in Other Governmental Funds.

Budget and Actual Statement for the General Fund:

- Increase beginning fund balance in the original budgeted column by $679,753 to agree to prior audit report.
- Increase beginning fund balance in the final budgeted column by $827,948 to agree to prior audit report.
- Decrease Police expenditures by $11,673 and general government expenditures by $5,128,066 in the final budgeted column to agree to approved budgeted amounts.
- Increase leisure time activities expenditures by $14,464, capital outlay expenditures by $500, and security of person and property other expenditures by $39,396 in the final budgeted column to agree to approved budgeted amounts.

Statement of Fund Net Position – Proprietary Funds:

- A decrease of $8,898 in equity in pooled cash and cash equivalents to agree to actual amount for the Water fund.

Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Funds:

- An increase in intergovernmental revenue and principal retirement expense by the same amount of $24,424 to properly report principal forgiveness received from OWDA in the Sewer Fund.

FINDING NUMBER 2018-002
(Continued)

Statement of Fiduciary Net Position:

- An Increase in cash and cash equivalents in segregated accounts by $114,509 to properly report Municipal Court cash and a decrease in deposits held and due to others by $15,199 to properly report Municipal County Civil Division ending cash for the Agency Funds.

The accompanying financial statements and the City's records have been adjusted accordingly. We also identified additional misstatements in the financial statements ranging from $500 to $183,578 that we have brought to the City's attention.

In addition to the above noted errors to the financial statements, there were errors found in the information presented in the notes to the financial statements. Several amounts were not properly updated from year to year and a few notes did not contain all the required information. Also, the updated Other Post Employment note disclosure was not properly updated for GASB 75.

The failure to correctly classify and report financial activity in the accounting system and financial statements filed on the HINKLE system may impact the user's understanding of the financial operations, the City's ability to make sound financial decisions, the City's ability to comply with budgetary laws, and may result in material misstatement to the financial statements.

The City should establish and implement policies and procedures to provide for a review of the classification of the revenues and expenditures prior to completion of the annual financial statements to determine accurate classifications. The City should also utilize the shells and other resources available on the Auditor of State's website to make sure they are using the most up to date information available.

Officials' Response:

The City considers the posting and classification errors minor and feel they have no significant impact on the user's understanding of the financial operations of the City.

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CITY of VAN WERT
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"Vincit Amor Patriae"
The Love of Country Conquers
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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Ohio Revised Code 117.38, Ohio Admin. Code 117-2-03(B) The City did not file GAAP statements in the years 2017 and 2016	Not Corrected	The City prepares its financial statements utilizing an Other Comprehensive Basis of Accounting. The City is unable to prepare GAAP statements due to the lack of an adequate inventory of assets. The City is willing to take the risk of being fined as opposed to incurring the expense of a city wide inventory. Issued as far back as 1999.
2017-002	AU-C Section 210 paragraphs .A114 and .A1. Not all transactions were posted to the correct accounts and/or funds	Not Corrected	See Finding 2018-002, First issued in 2004.

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OHIO AUDITOR OF STATE
KEITH FABER

CITY OF VAN WERT

VAN WERT 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
NOVEMBER 19, 2019

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