CITY OF WILMINGTON
CLINTON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2019

CITY OF WILMINGTON
CLINTON COUNTY
DECEMBER 31, 2019

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CLINTON COUNTY
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

City of Wilmington
Clinton County
69 North South Street
Wilmington, Ohio 45177

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Clinton County, Ohio (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Clinton County, Ohio, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2020, 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

September 24, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

The discussion and analysis of the City of Wilmington's financial performance provides an overview of the City's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2019 are as follows:

- Total net position of the City increased by $4,969,929 during 2019 due to a $4,829,430 increase in governmental activities and a $140,499 increase in business-type activities.

- General revenues account for $12,943,280 in revenue, or 45.9% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for $15,901,104, or 54.1% of total revenues of $28,845,383.

- The City had $12,791,753 in expenses related to governmental activities; only $5,252,989 of these expenses were offset by program specific charges for services, grants, or contributions. General Revenues (primarily taxes and exclusive of transfers) of $12,363,644 and Program Revenues of $5,252,989 were able to fully provide for these programs.

- Enterprise fund operations posted operating income of $411,602 due to rate increases in the Water and Waste Funds combined with an increase in business usage.

- The General Fund had an increase in fund balance of $1,610,280, or 36.2% compared with the fund balance reported one year prior.

USING THE BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and notes to those statements. These statements are organized to provide the reader with an overview of the City's condition as a whole and then proceed to provide a more detailed view of the City's operations.

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

REPORTING THE CITY AS A WHOLE

Statement of Net Position and the Statement of Activities

"How did the City of Wilmington do financially in 2019?" The broad answer to this question can be obtained with a look at the Statement of Net Position and the Statement of Activities. These statements include all assets, liabilities and deferred outflows/inflows of the City using the accrual basis of accounting, which is similar to the accounting methods used by private-sector businesses. This basis of accounting takes into account all of the current year's revenue and expenses, regardless of when the actual cash was received or paid.

These two statements report the City's net position and the change in that net position. This change informs the reader whether the City's financial position, as a whole, has improved or diminished. In evaluating the overall financial health, the reader of these financial statements needs to take into account non-financial factors that also impact the City's financial well-being. Other factors must then be considered, such as the City's property tax base, the condition of the streets and other capital assets, and the growth or decline in area businesses and residential neighborhoods.

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

- Governmental Activities – Most of the City's services are reported here and include police, fire, emergency medical, public maintenance, parks and recreation, judicial, legislative, and executive.

- Business-Type Activities – These services include water, sewer, and waste. Service fees for these operations are charged based upon usage. The intent is that the fees are sufficient to cover the costs of operation.

Reporting the City's Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 9. Fund financial statements, beginning on page 14, provide the detailed information about those major funds. The City uses many different funds, some of which are required by law and others are used to help segregate and control revenues intended for specific purposes. The City has three kinds of funds - "governmental", "proprietary" and "fiduciary".

Governmental Funds – Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances remaining at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources available in the near future to finance City programs. We detail the relationship between net position of governmental activities, as reported in the Statement of Net Position and the Statement of Activities, and governmental fund balances in a reconciliation on pages 15 and 17.

Enterprise Funds – City utility services for water, sewer and waste are operated as enterprise funds. These are business-type activities that receive a significant portion of their funding from user charges. These funds are listed under the heading of "business-type activities" on the Statement of Net Position and the Statement of Activities since they are reported in much the same manner as other business-type activities. The reader should note that these funds are a part of the "government-wide" statements, but not a part of the "governmental funds".

Fiduciary Funds – The City is the agent for assets that are to be remitted to private organizations or other governments. The City's role is purely custodial, in that we record the receipt and subsequent remittance to the proper entity. The City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities on page 22. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations.

Notes to the Basic Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the governmental-wide and fund financial statements. The notes to the basic financial statements begin on page 23.

THE CITY AS A WHOLE

The following table provides a summary of the City's net position for 2019 as compared to 2018.

Table 1
Net Position, December 31,

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Assets:						
Current and Other Assets	$ 13,075,227	12,211,915	25,287,142	11,416,690	10,034,854	21,451,544
Capital Assets	16,205,961	29,036,265	45,242,226	16,392,182	26,372,068	42,764,250
Total Assets	29,281,188	41,248,180	70,529,368	27,808,872	36,406,922	64,215,794
Deferred Outflows of Resources	5,510,402	1,717,831	7,228,233	3,047,733	906,381	3,954,114
Liabilities:						
Current Liabilities	872,265	555,033	1,427,298	712,566	328,703	1,041,269
Long-term Liabilities:						
Due Within One Year	770,056	1,823,867	2,593,923	748,785	1,079,856	1,828,641
Due in More Than One Year:						
Net Pension Liability	15,634,737	4,410,960	20,045,697	10,325,344	2,464,355	12,789,699
Net OPEB Liability	4,183,231	2,012,635	6,195,866	8,627,954	1,624,750	10,252,704
Other Amounts Due in More Than One Year	1,718,832	18,177,196	19,896,028	2,471,024	15,291,404	17,762,428
Total Liabilities	23,179,121	26,979,691	50,158,812	22,885,673	20,789,068	43,674,741
Deferred Inflows of Resources	2,925,729	112,113	3,037,842	4,113,622	790,527	4,904,149
Net Position:						
Net Investment in Capital Assets	15,035,185	14,566,299	29,601,484	14,640,815	14,744,552	29,385,367
Restricted	2,209,744	1,609,794	3,819,538	2,164,114	897,293	3,061,407
Unrestricted	(8,558,189)	(301,886)	(8,860,075)	(12,947,619)	91,863	(12,855,756)
Total Net Position	$ 8,686,740	15,874,207	24,560,947	3,857,310	15,733,708	19,591,018

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

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability or net OPEB liability*. GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

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

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

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

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

The amount by which the City's assets and deferred outflows exceeded its liabilities and deferred inflows is called net position. As of December 31, 2019, the City's net position was $24.6 million. Of this amount, $29.6 million was invested in capital assets and $3.8 million was subject to external restrictions for its use. At December 31, 2019, the City reported a deficit unrestricted balance of $8.9 million due to the recognition of the net pension and OPEB liabilities as discussed above.

In total, net position of the City increased by $5.0 million. The governmental activities increased by $4.8 million and business-type activities increase by $.2 million during 2019. Governmental activities revenue increased $769,219 from 2018 due to increase funding from ODOT and OPWC. Governmental activities expense decreased $3,676,907 or 22.5% from 2018 due to the OP&F's OPEB plan changing over to a stipend model during the measurement year, resulting in the recognition of $4,824,495 in negative OPEB expenses. This decrease was partially offset by an increase in pension expense of $1,155,206 from 2018 for both OPERS and OP&F.

The increase in the business-type activities was due to rate increases in the Water and Waste Funds combined with an increase in business usage resulting in an increase in total revenues of $704,796 or 6.7%. The increase in business-type activities expenses were due to an increase in personnel related costs compared to 2018. Additionally, the City recognized a $458,117 increase in pension expense from the prior year.

The following table provides a summary of the City's changes in net position for 2019 as compared to 2018.

Table 2
Change in Net Position, December 31,

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Revenues:						
Program Revenues:						
Charges for Services	$ 2,857,884	10,540,313	13,398,197	3,186,509	10,005,449	13,191,958
Operating Grants and Contributions	1,797,635	-	1,797,635	1,599,246	-	1,599,246
Capital Grants and Contributions	597,470	108,802	706,272	173,330	75,728	249,058
General Revenues:						
Property Taxes	2,063,634	-	2,063,634	1,990,780	-	1,990,780
Service Payments	236,699	-	236,699	224,792	-	224,792
Municipal Income Taxes	8,449,578	-	8,449,578	8,267,995	-	8,267,995
Other Local Taxes	160,019	-	160,019	157,181	-	157,181
Grants and Contributions not Restricted	432,104	-	432,104	350,018	-	350,018
Investment Income	112,137	133,682	245,819	77,110	93,085	170,195
Other Revenue	909,473	445,954	1,355,427	704,025	349,693	1,053,718
Total Revenue	17,616,633	11,228,751	28,845,384	16,730,986	10,523,955	27,254,941
Expenses:						
General Government	6,122,860	-	6,122,860	5,970,604	-	5,970,604
Security of Persons & Property	1,675,463	-	1,675,463	6,215,274	-	6,215,274
Public Health and Welfare Services	385,631	-	385,631	780,945	-	780,945
Leisure Time Activities	856,286	-	856,286	652,644	-	652,644
Transportation	3,687,558	-	3,687,558	2,655,191	-	2,655,191
Water	-	4,611,937	4,611,937	-	4,047,488	4,047,488
Sewer	-	3,645,659	3,645,659	-	2,940,878	2,940,878
Waste	-	2,826,106	2,826,106	-	2,467,942	2,467,942
Interest	63,955	-	63,955	77,574	-	77,574
Total Expenses	12,791,753	11,083,702	23,875,455	16,352,232	9,456,308	25,808,540
Transfers	4,550	(4,550)	-	38,609	(38,609)	-
Increase (Decrease) in Net Position	4,829,430	140,499	4,969,929	417,363	1,029,038	1,446,401
Net Position, Begininng of Year	3,857,310	15,733,708	19,591,018	3,439,947	14,704,670	18,144,617
Net Position, End of Year	$ 8,686,740	15,874,207	24,560,947	3,857,310	15,733,708	19,591,018

Governmental Activities

The three functions with the largest expenditures are General Government, Security of Persons and Property and Transportation. General Government includes all administrative activities, City Council, Municipal Court, and facility maintenance. This function costs taxpayers $4.7 million after program revenue is accounted for. Security of Persons and Property includes Police, Fire, and Emergency Medical Services. In addition to the revenue received for charges for services, which are those fees paid by the neighboring townships for fire and ambulance service, those funds receive property tax revenues which are used to help support each of the programs. Those departments received almost $958 thousand in property tax revenues which was sufficient to fully provide for these programs. In years for which property tax is not sufficient to cover the cost of the programs, funding is provided by income taxes, general subsidies and other general revenues. The third function, Transportation, covers the roads and streets of the City, which reported net expense for 2019 of $1.7 million. Although grant revenues increased $553,152 or 49.3% in the current year compared to the prior year, this function saw an increase in expenses of $1,032,367 or 38.9% due to a significant increase in pension expense during the year as the City saw of 51.4% increase in the net pension liabilities compared to 2018. As indicated in Table 3, total governmental expenses decreased $3,676,907 or 22.5% due to the significant change OPEB expenses associated with the OP&F net OPEB liability and related deferrals discussed above.

The $10.5 million in income and property taxes reported for the year is $.3 million more than the amount reported for 2018 as City continues to see the impact of improved economic conditions in and around the City.

Business-Type Activities

Overall, the City's business-type activities generated $11.2 million of revenues, which represents a 6.7% increase over the prior year. In the current year, the Water and Waste Funds reported increases in net position of $108,521 and $102,328, respectively. The Sewer Fund reported a decrease in net position of $70,350. As discussed earlier, each enterprise fund reported increases in total revenues compared to the prior year. Additionally, each fund also experienced an increase in total expenses due to an increase pension expense related to the increase in the net pension liability at both OPERS and OP&F and change in the related deferrals.

Table 3
Total and Cost of Program Services

		2019		2018	
		Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
GOVERNMENTAL ACTIVITIES:					
General Government	$	6,122,860	(4,743,132)	5,970,604	(4,237,911)
Security of Persons & Property		1,675,463	(296,093)	6,215,274	(5,011,728)
Public Health & Welfare Services		385,631	(260,575)	780,945	(380,587)
Leisure Time Activities		856,286	(503,243)	652,644	(489,353)
Transportation		3,687,558	(1,671,766)	2,655,191	(1,195,994)
Interest Expense		63,955	(63,955)	77,574	(77,574)
Total	$	12,791,753	(7,538,764)	16,352,232	(11,393,147)
BUSINESS-TYPE ACTIVITIES:					
Water	$	4,611,937	(8,463)	4,047,488	325,468
Sewer		3,645,659	(480,213)	2,940,878	39,340
Waste		2,826,106	54,089	2,467,942	260,061
Total	$	11,083,702	(434,587)	9,456,308	624,869

The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. Table 3 shows the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state entitlement grants.

THE CITY'S FUNDS

The financial statements for the City's major governmental funds are presented after the statement of activities. These funds are reported using a modified accrual basis of accounting. Total governmental fund balances are $9.1 million, of which 4.3 million is unassigned. The total governmental funds balance of all governmental funds increased by $1.5 million during 2019.

The General Fund balance increased by $1.6 million; compared to the $.6 million increase in fund balance reported for 2018. Total revenues reported for 2019 were $0.4 million more than those of the prior year due primarily to the increase reported in municipal income tax. This increase can be attributed to the improved economic conditions in and around the City. Total expenditures reported by the General Fund decreased slightly with those reported for 2018 due various less capital expenditures in the current year.

The fund balances reported in the Taxi Fund decreased by $69,795 from the balances reported one-year prior due an increase in capital purchases during year as well as decreased support from the General Fund.

The fund balance reported in the Police Fund decreased by $19,253 from the balances reported one-year prior as the City transferred in less funds during the year to support operations.

Total governmental fund revenues showed an increase from 2018 of $1.1 million or 6.9%. This was primarily due to the increase reported in municipal income tax.

Explanation of the changes in the major enterprise funds of the City follow the same explanation as those provided in the assessment of the business-type activities noted above since enterprise funds are accounted for using full accrual accounting, the same basis used in the City-wide statements.

General Fund Budgeting Highlights

The General Fund's original budgeted revenues were $14.4 million for the year while the final budgeted revenues were $14.3 million. Actual revenues were $14.9 million for the year.

Final budgeted amounts for expenditures and other financing uses were $16.6 million while actual budgetary expenditures and other financing uses amounted to $15.0 million. The City deliberately utilizes conservative budgeting and spending practices in effort to limit expenditures while providing the necessary services to the City residents.

The budgetary fund balance for the General Fund at December 31, 2019 was $4.2 million; a 1.4% decrease from the amount reported one year prior. The ending budgetary fund balance amount at year end represents 27.9% of the total budgetary expenditures and transfers out reported for 2019.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Table 4
Capital Assets

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Land	$ 3,482,281	2,431,007	5,913,288	3,482,281	2,431,007	5,913,288
Infrastructure	5,480,443	7,952,940	13,433,383	5,480,443	7,952,940	13,433,383
Buildings	8,993,615	19,488,314	28,481,929	8,962,449	19,488,314	28,450,763
Improvements	532,287	20,497,475	21,029,762	532,287	20,497,475	21,029,762
Equipment	4,266,563	8,881,261	13,147,824	3,876,348	8,328,842	12,205,190
Vehicles	7,111,729	3,088,716	10,200,445	6,912,446	2,628,006	9,540,452
Office Furniture and Fixtures	25,053	-	25,053	25,053	-	25,053
Construction in Progress	-	3,228,152	3,228,152	-	-	-
Less:						
Accumulated Depreciation	(13,686,010)	(36,531,600)	(50,217,610)	(12,879,125)	(34,954,516)	(47,833,641)
Totals	$ 16,205,961	29,036,265	45,242,226	16,392,182	26,372,068	42,764,250

The City's investment in capital assets for governmental and business-type activities as of December 31, 2019, amounts to $45.2 million (net of accumulated depreciation). This investment in capital assets includes: land; construction in progress; buildings; improvements; machinery and equipment; infrastructure and vehicles. During the year, total capital assets, net of accumulated depreciation, increased by $2.5 million or 5.8%. Governmental activity capital assets, net of accumulated depreciation, reflect a net decrease during the year of $0.2 million. Depreciation expense for the year totaled $948,713. Capital assets, net of accumulated depreciation in the business-type activities increased $2.7 million as a result of the cost of assets acquired during the year exceeding depreciation expense. See Note 8 to the basic financial statements for additional details on capital assets.

Debt Administration

At December 31, 2019, the City had total bonded debt in the amount of $10.8 million, of which $1.7 million is due within one year. Of the total bonded debt amount, $1.0 million is general obligation debt backed by the full faith and credit of the City, with the remaining $9.1 million being mortgage revenue bonds for waterworks improvements and $650 thousand for bond anticipation notes. The City also has outstanding amounts due the Ohio Police and Fire Pension Fund of $72,500.

Under current state statutes, the City's general obligation bonded debt issuances are subject to a legal limitation based on 10 1/2 percent of total assessed value of real and personal property.

See Note 12 to the basic financial statements for additional details on the long-term debt of the City.

COVID-19 Pandemic

In March 2020, the State of Ohio declared a state of emergency due to the COVID-19 pandemic. The State's stay-at-home orders have closed all schools and universities and businesses deemed non-essential. The financial impact to the City, while currently unknown, will certainly reduce certain revenues, like income tax collections and investment earnings.

CONTACTING THE CITY'S FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the revenues it receives. If you have any questions regarding this report or need additional information, contact City Auditor, City of Wilmington, 69 North South Street, Wilmington, Ohio 45177.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Net Position
December 31, 2019

	Governmental Activities	Business-Type Activities	Total
ASSETS:			
Equity in Pooled Cash and Cash Equivalents	$ 8,037,015	$ 9,584,132	$ 17,621,147
Cash and Cash Equivalents in Segregated Accounts	-	707,806	707,806
Receivables			
Taxes	3,523,080	-	3,523,080
Accounts	156,131	963,399	1,119,530
Loans Receivable	688,872	-	688,872
Due from Other Governments	660,210	64,509	724,719
Interfund Balance	9,919	(9,919)	-
Restricted Assets:			
Cash and Cash Equivalents	-	901,988	901,988
Capital Assets:			
Capital Assets not subject to depreciation	3,482,281	5,659,159	9,141,440
Capital Assets, net of accumulated depreciation	12,723,680	23,377,106	36,100,786
Total Assets	29,281,188	41,248,180	70,529,368
DEFERRED OUTFLOWS OF RESOURCES:			
Pensions/OPEB	5,506,222	1,568,201	7,074,423
Deferred Amount on Refunding	4,180	149,630	153,810
Total Deferred Outflows of Resources	5,510,402	1,717,831	7,228,233
LIABILITIES:			
Accounts Payable	360,926	281,186	642,112
Accrued Wages and Benefits	241,168	86,566	327,734
Insurance Claims Payable	247,900	-	247,900
Accrued Interest Payable	22,271	187,281	209,552
Noncurrent Liabilities:			
Due Within One Year	770,056	1,823,867	2,593,923
Due In More than One Year			
Net Pension Liability	15,634,737	4,410,960	20,045,697
Net OPEB Liability	4,183,231	2,012,635	6,195,866
Other Amounts Due in More Than One Year	1,718,832	18,177,196	19,896,028
Total Liabilities	23,179,121	26,979,691	50,158,812
DEFERRED INFLOWS OF RESOURCES:			
Pensions/OPEB	984,098	112,113	1,096,211
Property Taxes	1,704,931	-	1,704,931
Tax Increment Financing	236,700	-	236,700
Total Deferred Inflows of Resources	2,925,729	112,113	3,037,842
NET POSITION:			
Net Investment in Capital Assets	15,035,185	14,566,299	29,601,484
Restricted for:			
Utility Debt Service	1,163	901,988	903,151
Capital Outlay	-	707,806	707,806
Social Services	33,485	-	33,485
Public Safety	973,002	-	973,002
Road Construction / Public Works	595,764	-	595,764
Leisure Activities	346,170	-	346,170
Public Health and Welfare Services	225,160	-	225,160
Perpetual Care:			
Nonexpendable	35,000	-	35,000
Unrestricted	(8,558,189)	(301,886)	(8,860,075)
Total Net Position	$ 8,686,740	$ 15,874,207	$ 24,560,947

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Activities
For the Year Ended December 31, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs:	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities:							
General Government	$ 6,122,860	$ 1,379,728	$ -	$ -	$ (4,743,132)		$ (4,743,132)
Security of Persons & Property	1,675,463	1,013,575	365,795	-	(296,093)		(296,093)
Public Health & Welfare Services	385,631	125,056	-	-	(260,575)		(260,575)
Leisure Time Activities	856,286	-	28,271	324,772	(503,243)		(503,243)
Transportation	3,687,558	339,525	1,403,569	272,698	(1,671,766)		(1,671,766)
Debt Service							
Interest	63,955	-	-	-	(63,955)		(63,955)
Total Governmental Activities	12,791,753	2,857,884	1,797,635	597,470	(7,538,764)		(7,538,764)
Business-Type Activities:							
Water	4,611,937	4,494,672	-	108,802		(8,463)	(8,463)
Sewer	3,645,659	3,165,446	-	-		(480,213)	(480,213)
Waste	2,826,106	2,880,195	-	-		54,089	54,089
Total Business-Type Activities	11,083,702	10,540,313	-	108,802		(434,587)	(434,587)
Total	$ 23,875,455	$ 13,398,197	$ 1,797,635	$ 706,272	(7,538,764)	(434,587)	(7,973,351)
General Revenues:							
Municipal Income Taxes, Levied for:							
General Purposes					8,449,578	-	8,449,578
Other Local Taxes					160,019	-	160,019
Property Taxes Levied for:							
General Purposes					449,884	-	449,884
Security of Persons & Property					957,762	-	957,762
Street Lighting					204,139	-	204,139
Leisure Time Activities					451,849	-	451,849
Service Payments					236,699	-	236,699
Grants and Contributions not Restricted to Specific Programs					432,104	-	432,104
Investment Earnings					112,137	133,682	245,819
Miscellaneous					904,061	442,059	1,346,120
Gain on sale of capital assets					5,412	3,895	9,307
Transfers					4,550	(4,550)	-
Total					12,368,194	575,086	12,943,280
Change in Net Position					4,829,430	140,499	4,969,929
Net Position, Beginning of Year					3,857,310	15,733,708	19,591,018
Net Position, End of Year					$ 8,686,740	$ 15,874,207	$ 24,560,947

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Balance Sheet
Governmental Funds
December 31, 2019

	General Fund	Taxi Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS:					
Equity in Pooled Cash and Cash Equivalents	$ 5,546,272	$ 73,158	$ 81,396	$ 2,336,189	$ 8,037,015
Receivables:					
Taxes	1,930,302	-	279,958	1,312,820	3,523,080
Accounts	133,590	-	77	22,464	156,131
Loans Receivable	-	-	-	688,872	688,872
Due from Other Funds	21,780	-	-	-	21,780
Due from Other Governments	192,293	3,180	10,958	453,779	660,210
Total Assets	$ 7,824,237	$ 76,338	$ 372,389	$ 4,814,124	$ 13,087,088
LIABILITIES:					
Accounts Payable	$ 185,486	$ 21,816	$ 28,699	$ 124,925	$ 360,926
Accrued Wages and Benefits	78,496	32,332	37,347	92,993	241,168
Insurance Claims Payable	247,900	-	-	-	247,900
Due to Other Funds	-	1,066	4,594	6,201	11,861
Total Liabilities	511,882	55,214	70,640	224,119	861,855
DEFERRED INFLOWS OF RESOURCES:					
Property Taxes	448,653	-	259,143	997,135	1,704,931
Tax Increment Financing	-	-	-	236,700	236,700
Unavailable Resources for:					
Municipal Income Taxes	616,026	-	-	-	616,026
Delinquent Property Taxes	36,956	-	20,815	78,985	136,756
Intergovernmental	153,667	-	10,958	266,269	430,894
Total Deferred Inflows of Resources	1,255,302	-	290,916	1,579,089	3,125,307
FUND BALANCES:					
Nonspendable	2,891	-	-	35,000	37,891
Restricted for:					
Debt Service	-	-	-	1,163	1,163
Social Services	-	-	-	33,485	33,485
Public Safety	-	-	-	967,005	967,005
Road Construction / Public Works	-	21,124	-	483,682	504,806
Leisure Activities	-	-	-	316,262	316,262
Public Health and Welfare Services	-	-	-	226,966	226,966
Committed to:					
Social Services	-	-	-	932,641	932,641
Public Safety	-		10,833	-	10,833
Leisure Activities	-	-	-	49,791	49,791
Assigned to:					
Self Insurance	370,350	-	-	-	370,350
Other Purposes	1,374,521	-	-	-	1,374,521
Unassigned	4,309,291	-	-	(35,079)	4,274,212
Total Fund Balances	6,057,053	21,124	10,833	3,010,916	9,099,926
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 7,824,237	$ 76,338	$ 372,389	$ 4,814,124	$ 13,087,088

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2019

Total Governmental Fund Balances		$	9,099,926
Amounts reported for governmental activities in the Statement of Net Position are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			16,205,961
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.			1,183,676
The deferred loss on refunding does not represent a use of current resources and therefore it is not reported in the funds			4,180
The net pension liability and net OPEB liability are not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the governmental funds:			
Deferred Outflows - Pension	4,637,734		
Deferred Inflows - Pension	(455,879)		
Net Pension Liability	(15,634,737)		
Deferred Outflows - OPEB	868,488		
Deferred Inflows - OPEB	(528,219)		
Net OPEB Liability	(4,183,231)		(15,295,844)
Other long-term liabilities not due and payable in the current period and therefore are not reported in the funds:			
Note Payable	(553,738)		
Capital Lease Payable	(164,809)		
Accrued Interest on Long-Term Debt	(22,271)		
Police and Fire Pension Obligations	(72,500)		
General Obligation Bonds Payable	(975,000)		
Bond Premium	(35,147)		
Compensated Absences	(687,694)		(2,511,159)
Net Position of Governmental Activities		$	8,686,740

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Revenues, Expenditures and
Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General Fund	Taxi Fund	Police Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Property Taxes	$ 450,733	$ -	$ 249,546	$ 1,560,594	$ 2,260,873
Municipal Income Taxes	8,559,151	-	-	-	8,559,151
Intergovernmental	411,781	926,292	23,227	1,363,463	2,724,763
Charges for Services	1,192,838	339,525	1,395	149,358	1,683,116
Licenses and Permits	153,128	-	-	-	153,128
Fees, Fines and Forfeitures	599,269	-	1,471	330,619	931,359
Special Assessments	89,281	-	-	204,139	293,420
Investment Income	109,742	-	-	2,395	112,137
Other Revenue	542,934	86,286	66,841	268,389	964,450
Total Revenues	12,108,857	1,352,103	342,480	3,878,957	17,682,397
EXPENDITURES:					
Current:					
General Government	5,127,147	-	-	257,982	5,385,129
Security of Persons & Property	475,913	-	2,293,397	2,586,942	5,356,252
Transportation	-	1,522,762	-	1,390,596	2,913,358
Public Health & Welfare Services	-	-	-	339,417	339,417
Leisure Time Activities	-	-	-	659,027	659,027
Capital Outlay	-	145,536	66,541	595,509	807,586
Debt Service:					
Principal	99,634	-	-	565,268	664,902
Interest	21,569	-	-	70,808	92,377
Total Expenditures	5,724,263	1,668,298	2,359,938	6,465,549	16,218,048
Excess (Deficiency) of Revenues Over/ (Under) Expenditures	6,384,594	(316,195)	(2,017,458)	(2,586,592)	1,464,349
OTHER FINANCING SOURCES (USES):					
Transfers In	38,008	246,400	1,998,205	2,567,717	4,850,330
Transfers Out	(4,812,322)	-	-	-	(4,812,322)
Total Other Financing Sources (Uses):	(4,774,314)	246,400	1,998,205	2,567,717	38,008
Net Change in Fund Balance	1,610,280	(69,795)	(19,253)	(18,875)	1,502,357
Fund Balance, Beginning of Year	4,446,773	90,919	30,086	3,029,791	7,597,569
Fund Balance End of Year	$ 6,057,053	$ 21,124	$ 10,833	$ 3,010,916	$ 9,099,926

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2019

Total Change in Fund Balances - Governmental Funds		$ 1,502,357
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. Also, donated capital assets are not reported in the governmental funds as they do not provide current financial resources, however, donated capital assets are reported in the statement of net position and as capital contributions in the statement of activities. The amounts for the current period are:		
Capital Outlay	774,128	
Depreciation	(948,713)	(174,585)
In the statement of activities, a gain or loss on the disposition of capital assets is reported whereas in the governmental funds, the proceeds received from disposition of capital assets increases financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of capital assets disposed of.		(11,636)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues on the funds:		
Property Taxes	(4,660)	
Income Taxes	(115,041)	
Intergovernmental Revenue	65,573	(54,128)
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		1,019,383
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability/OPEB liability are reported as pension expense and negative OPEB expense in the statement of activities.		1,809,785
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		664,902
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Compensated Absences	44,930	
Accrued Interest Payable	9,839	
Amortization of Deferred Amount on Refunding	(2,506)	
Amortization of Bond Premium	21,089	73,352
Change in Net Position of Governmental Activities		$ 4,829,430

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Balance Sheet
Enterprise Funds
December 31, 2019

	Water Fund	Sewer Fund	Waste Fund	Total
ASSETS:				
Current Assets:				
Equity in Pooled Cash and Cash Equivalents	$ 2,942,335	$ 5,583,574	$ 1,058,223	$ 9,584,132
Cash and Cash Equivalents in Segregated Accounts	707,806	-	-	707,806
Accounts Receivable	406,304	285,661	271,434	963,399
Due from Other Governments	64,509	-	-	64,509
Restricted Assets:				
Cash and Cash Equivalents	901,847	141	-	901,988
Total Current Assets	5,022,801	5,869,376	1,329,657	12,221,834
Noncurrent Assets:				
Capital Assets not subject to depreciation	3,887,809	1,057,709	713,641	5,659,159
Capital Assets, net of accumulated depreciation	14,784,539	6,443,544	2,149,023	23,377,106
Total Noncurrent Assets	18,672,348	7,501,253	2,862,664	29,036,265
Total Assets	23,695,149	13,370,629	4,192,321	41,258,099
DEFERRED OUTFLOWS OF RESOURCES:				
Pensions/OPEB	537,877	549,552	480,772	1,568,201
Deferred Amount on Refunding	149,630	-	-	149,630
Total Deferred Outflows of Resources	687,507	549,552	480,772	1,717,831
Total Assets and Deferred Outflows of Resources	$ 24,382,656	$ 13,920,181	$ 4,673,093	$ 42,975,930
LIABILITIES:				
Current Liabilities:				
Accounts Payable	$ 98,304	$ 67,825	$ 115,057	$ 281,186
Accrued Wages and Benefits	36,307	27,456	22,803	86,566
Due to Other Funds	3,630	2,955	3,334	9,919
Accrued Compensated Absences	31,751	33,472	27,888	93,111
Accrued Interest Payable	153,075	17,156	17,050	187,281
Long-Term Notes Payable - current	-	59,699	650,000	709,699
Capital Lease Payable - current	314,923	-	141,135	456,058
Mortgage Revenue Bonds Payable - current	565,000	-	-	565,000
Total Current Liabilities	1,202,990	208,563	977,267	2,388,820
Noncurrent Liabilities:				
Accrued Compensated Absences	95,252	100,415	83,662	279,329
Postclosure Care	-	-	4,301,221	4,301,221
Notes Payable	412,354	753,522	-	1,165,876
Capital Lease Payable	3,184,241	-	102,456	3,286,697
Mortgage Revenue Bonds Payable	8,580,000	-	-	8,580,000
Accrued Bond Premium	564,072	-	-	564,072
Net Pension Liability	1,498,002	1,542,823	1,370,135	4,410,960
Net OPEB Liability	690,392	712,990	609,253	2,012,635
Total Noncurrent Liabilities	15,024,313	3,109,750	6,466,727	24,600,790
Total Liabilities	16,227,303	3,318,313	7,443,994	26,989,610
DEFERRED INFLOWS OF RESOURCES:				
Pensions/OPEB	25,018	44,485	42,610	112,113
Total Deferred Inflows of Resources	25,018	44,485	42,610	112,113
Total Liabilities and Deferred Inflows of Resources	16,252,321	3,362,798	7,486,604	27,101,723
NET POSITION:				
Net Investment in Capital Assets	5,909,194	6,688,032	1,969,073	14,566,299
Restricted for:	-			
Utility Debt Service	901,847	141	-	901,988
Capital Outlay	707,806	-	-	707,806
Unrestricted	611,488	3,869,210	(4,782,584)	(301,886)
Total Net Position	8,130,335	10,557,383	(2,813,511)	15,874,207
Total Liabilities, Deferred Inflows of Resources and Net Position	$ 24,382,656	$ 13,920,181	$ 4,673,093	$ 42,975,930

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Revenues, Expenses and
Changes in Net Position
Enterprise Funds
For the Year Ended December 31, 2019

	Water Fund	Sewer Fund	Waste Fund	Total
OPERATING REVENUES:				
Charges for Services	$ 4,494,672	$ 3,165,446	$ 2,880,195	$ 10,540,313
Other Revenue	89,839	307,821	44,399	442,059
Total Operating Revenues	4,584,511	3,473,267	2,924,594	10,982,372
OPERATING EXPENSES:				
Personal Services	1,796,057	1,558,756	1,430,799	4,785,612
Contractual Services	1,427,901	890,991	786,936	3,105,828
Materials and Supplies	289,695	311,607	182,089	783,391
Depreciation	650,668	851,259	301,151	1,803,078
Closure and Postclosure Care	-	-	92,861	92,861
Total Operating Expenses	4,164,321	3,612,613	2,793,836	10,570,770
Operating Income	420,190	(139,346)	130,758	411,602
NON-OPERATING REVENUE (EXPENSES):				
Intergovernmental	108,802	-	-	108,802
Investment Income	55,871	77,811	-	133,682
Interest and Fiscal Charges	(447,616)	(33,046)	(32,270)	(512,932)
Gain (Loss) on the Sale of Capital Assets	(479)	(3,429)	7,803	3,895
Total Non-Operating Revenues (Expenses)	(283,422)	41,336	(24,467)	(266,553)
Income Before Transfers	136,768	(98,010)	106,291	145,049
Capital Contributions	-	33,458	-	33,458
Transfers-Out	(28,247)	(5,798)	(3,963)	(38,008)
Change in Net Position	108,521	(70,350)	102,328	140,499
Net Position, Beginning of Year	8,021,814	10,627,733	(2,915,839)	15,733,708
Net Position, End of Year	$ 8,130,335	$ 10,557,383	$ (2,813,511)	$ 15,874,207

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2019

	Water Fund	Sewer Fund	Waste Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	$ 4,432,335	$ 3,133,373	$ 2,840,729	$ 10,406,437
Cash Paid for Employees Salaries and Benefits	(1,460,034)	(1,293,852)	(1,190,432)	(3,944,318)
Cash Paid to Suppliers	(1,687,724)	(1,196,266)	(918,675)	(3,802,665)
Other Operating Revenues	141,873	352,775	93,758	588,406
Net Cash Provided by Operating Activities	1,426,450	996,030	825,380	3,247,860
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers	(28,247)	(5,798)	(3,963)	(38,008)
Net Cash Provided by Noncapital Financing Activities	(28,247)	(5,798)	(3,963)	(38,008)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Grants	44,293	-	-	44,293
Capital Expenditures	(3,351,138)	(456,892)	(630,309)	(4,438,339)
Proceeds from Lease Purchase Agreement	3,499,164	-	-	3,499,164
Proceeds from Notes	412,354	-	-	412,354
Proceeds from sale of assets	-	-	8,417	8,417
Principal on Mortgage Revenue Bonds	(545,000)	-	-	(545,000)
Issuance of Bond Anticipation Note	-	-	650,000	650,000
Principal on Bond Anticipation Note	-	-	(250,000)	(250,000)
Principal on Note Payable	-	(57,295)	-	(57,295)
Principal on Capital Lease	-	-	(136,883)	(136,883)
Interest Paid	(345,720)	(34,254)	(25,248)	(405,222)
Net Cash Used by Capital and Related Financing Activities	(286,047)	(548,441)	(384,023)	(1,218,511)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment Income	55,871	77,811	-	133,682
Increase (Decrease) in Cash and Cash Equivalents	1,168,027	519,602	437,394	2,125,023
Equity in Pooled Cash and Cash Equivalents, Beginning of Year	3,383,961	5,064,113	620,829	9,068,903
Equity in Pooled Cash and Cash Equivalents, End of Year	$ 4,551,988	$ 5,583,715	$ 1,058,223	$ 11,193,926
Reconciliation of Equity in Pooled Cash and Cash Equivalents per Statement of Net Position to Cash and Cash Equivalents, End of Year, per Statement of Cash Flows:				
Equity in Pooled Cash and Cash Equivalents, per Statement of Net Position	$ 2,942,335	$ 5,583,574	$ 1,058,223	$ 9,584,132
Plus: Cash and Cash Equivalents in Segregated Accounts	707,806	-	-	707,806
Plus: Restricted Cash and Cash Equivalents	901,847	141	-	901,988
Cash and Cash Equivalents, End of Year, per Statement of Cash Flows	$ 4,551,988	$ 5,583,715	$ 1,058,223	$ 11,193,926

(Continued)

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2019
(Continued)

	Water Fund	Sewer Fund	Waste Fund	Total
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	$ 420,190	$ (139,346)	$ 130,758	$ 411,602
Adjustment to Reconcile Operating Income (Loss) Net Cash Provided by Operating Activities:				
Depreciation	650,668	851,259	301,151	1,803,078
Landfill Closure and Postclosure Costs	-	-	92,861	92,861
Change in Deferred Outflows of Resources - Pension/OPEB	(319,581)	(279,869)	(235,042)	(834,492)
Change in Deferred Inflows of Resources - Pension/OPEB	(259,809)	(227,524)	(191,081)	(678,414)
Changes in Assets and Liabilities:				
Accounts Receivable	(62,337)	(32,073)	(39,466)	(133,876)
Due from Other Funds	48,404	41,999	46,025	136,428
Accounts Payable	29,872	6,332	50,350	86,554
Accrued Wages & Benefits	6,374	1,061	2,547	9,982
Due to Other Funds	3,630	2,955	3,334	9,919
Accrued Compensated Absences	15,012	(11,698)	6,414	9,728
Net Pension Liability	745,481	652,846	548,278	1,946,605
Net OPEB Liability	148,546	130,088	109,251	387,885
Net Cash Provided by Operating Activities	$ 1,426,450	$ 996,030	$ 825,380	$ 3,247,860
Supplemental Disclosure of Noncash Capital and related Financing Activities:				
Capital Contributions from Governmental Activities	$ -	$ 33,458	$ -	$ 33,458

See accompanying notes to the basic financial statements.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Statement of Fiduciary Assets and Liabilities
Agency Fund
December 31, 2019

ASSETS:	
Equity in Pooled Cash and Cash Equivalents	$ 141,832
Total Assets	$ 141,832
LIABILITIES:	
Undistributed Monies	$ 141,832
Total Liabilities	$ 141,832

See accompanying notes to the basic financial statements.

NOTE 1 – REPORTING ENTITY

The City of Wilmington (the "City") is a political body incorporated and established for the purpose of exercising the rights and privileges conveyed to it by constitutions and laws of the State of Ohio. Wilmington, the county seat, is the only City in Clinton County. It is the major commercial and marketing center in the primarily agricultural county. The City was incorporated into a Village in 1828 and was reorganized as a City in 1921 under the general plan of the General (now revised) Code of Ohio. The City operates under the council-mayor form of government.

Reporting Entity

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

The primary government consists of all funds and departments that are not legally separate. They provide various services including police and fire protection, emergency medical service, parks and recreation, planning zoning, street maintenance and repair, community development, public health and welfare, water, sewer and refuse collection. The City Council has direct responsibility for these activities.

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 body and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes. The City currently has no component units.

The Clinton County Municipal Court has been included in the City's financial statements as an agency fund. The Clerk of Courts has a fiduciary responsibility for the collection and distribution of court fees and fines.

The Clinton County General Health District is a jointly governed organization that provides health services within the County. The Board of Health, which consists of a representative from each of the participating governments, oversees the operation of the District. The City does not have any financial interest in, or responsibility for, the Health District. The County Commissioners serve as the taxing authority, and the County Auditor and Treasurer serve as fiscal officers.

The Miami Valley Risk Management Association, Inc. (MVRMA, Inc.), also a jointly governed organization, was established as a joint self-insurance pool for the purpose of enabling subscribing political subdivisions to obtain liability insurance and provide for a formalized, jointly administered self-insurance fund for its members. The members formed a not-for-profit corporation known as MVRMA, Inc. for the purpose of administering the Pool. There are twenty-one subscribing member cities of the self-insurance pool, including the City of Wilmington. The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA and, accordingly, is not included in the financial reporting entity. See Note 13 for additional details.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Wilmington have been prepared in conformity with generally accepted accounting principles (GAAP) applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

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

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Eliminations have been made to avoid doubling up revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

Fund Financial Statements

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

Fund Accounting

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

Governmental Funds

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The following are the City's major governmental funds:

General Fund – This fund is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio and the charter of the City.

Taxi Fund – The Taxi Fund is used to account for restricted grants received for general operations of public transportation for the City.

Police Fund – The Police Fund is used to account for restricted property taxes levied for general operations of the police department of the City.

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

Proprietary Funds

The proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service; currently, the City has no internal service funds.

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

Water Fund – The water fund accounts for the provisions of water treatment and distribution to the residential and commercial users located within the City.

Sewer Fund – The sewer fund accounts for the provisions of sanitary sewer service to the residents and commercial users located within the City.

Waste Fund – The waste fund accounts for the collection and disposal of refuse service to the residents and commercial users located within the City.

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. The City's only fiduciary fund is an agency fund used to account for municipal court collections that are distributed to various local governments. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources as well as all liabilities and deferred inflows of resources associated with the operations of the City are included on the statement of net position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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

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

Basis of Accounting

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

Revenues – Exchange and Non-exchange Transaction

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

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB are explained further in Notes 9 and 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the full accrual statement of net position. (See Notes 9 and 10)

Expenses/Expenditures

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

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are recorded when the related fund liability is incurred, if measurable. Allocation of costs, such as depreciation and amortization of certain accrued items, are not recognized in governmental funds.

Cash and Cash Equivalents

The provisions of the Ohio Revised Code restrict investment procedures. Cash balances of the City's funds, except cash held by a trustee or fiscal agent, are pooled for investment purposes.

The City also invested funds in the State Treasury Assets Reserves of Ohio (STAR Ohio) during fiscal year 2019. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the state to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price, which is the price the investment could be sold for on December 31, 2019. There are no limitations or restrictions on withdrawals from these investments due to redemption notice periods, liquidity fees, or redemption gates. STAROhio does require notice to be given 24 hours in advance for all deposits or withdrawals exceeding $25 million. STAROhio 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 STAROhio investors will be combined for these purposes.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to the investment in STAROhio, other investments held by the City at year end include U.S agency securities, certificates of deposit and money market funds. These investments are reported at fair value, which is based on quoted market prices.

For purposes of the statement of cash flows, the proprietary fund type's portion of pooled cash and cash equivalents is considered a cash equivalent because the City is able to withdraw resources from these funds without prior notice or penalty.

The City has a segregated bank account for monies held separate from the City's central bank account. This interest-bearing depository account is presented on the financial statements as "cash in segregated accounts" since it is not required to be deposited into the City treasury.

An analysis of the City's deposits and investments at year end is provided in Note 5.

Interfund Receivables and Payables

Receivables and payables resulting from transactions between funds for services provided or goods received are classified on the fund statements as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables". Noncurrent portion of long-term interfund loans receivables are reported as advances and in governmental funds are offset equally by an assignment of fund balance, which indicates that they do not constitute expendable available financial resources and therefore are not available for appropriation.

Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of $2,500. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are expended.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	Governmental Activities	Business-type Activities
Buildings	10-99 years	10-50 years
Improvements	4-20 years	5-50 years
Equipment	5-45 years	5-50 years
Vehicles	4-30 years	5-10 years
Infrastructure:		
Sewer and Water Lines	N/A	30-45 years
Other	60 years	N/A

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

Vacation leave accumulated by employees is accrued as a liability as the benefits are earned when both of these conditions are met:

- ➢ The employees' rights to receive compensation are attributable to services already rendered.
- ➢ It is probable that the employer will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

A liability for sick leave is accrued based on the vesting method states that the City will estimate its liability based on sick leave accumulated at the balance sheet date by those employees who currently are eligible to receive termination payments as specified by the retirement system as well as other employees who are expected to become eligible in the future to receive such payments, determined to be all employees with ten years of service or more. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy.

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

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

Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and loans are recognized as a liability in the fund financial statements when due. Net pension and OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the retirement systems' fiduciary net position is not sufficient for payment of those benefits.

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, laws of other governments, or are imposed law through constitutional provisions or enabling legislation.

Restricted assets in the enterprise funds represent cash and cash equivalents, as well as investments, set aside in separate depository accounts for the repayment of revenue mortgage debt.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balance Classifications

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

> Nonspendable – resources that are not in spendable form or have legal or contractual requirements to maintain the balance intact.
>
> Restricted – resources that have external purpose restraints imposed on them by providers, such as creditors, grantors, or other regulators.
>
> Committed – resources that are constrained for specific purposes that are internally imposed by the government through an affirmative vote of its highest level of decision making authority, the City Council, an ordinance.
>
> Assigned – resources that are intended for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council or through the City Council delegating this responsibility to the City Auditor through the formal purchasing procedures.
>
> Unassigned – residual fund balance within the General Fund that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from incurred expenditures for specific purposes exceeding amounts which had been restricted, committed or assigned for said purposes.

The City applies restricted resources first when an expenditure is incurred for purposes which both restricted and unrestricted fund balance are available. The City considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charged for services for water, sewer and the solid waste collection programs. Operating expenses are necessary costs incurred to provide goods or services that are the primary activity of the fund. Revenues and expenses that do not meet these definitions are reported as non-operating.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plans. 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.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditure/expenses in the purchaser funds. Flows of cash or goods from one fund to another without requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and are eliminated in the Statement of Activities.

Repayment from funds responsible for particular expenditures/expenses to funds that initially paid for them are not presented on the financial statements.

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

Estimates

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

NOTE 3 – CHANGE IN ACCOUNTING PRINCIPLE

During the year, the City implemented the provisions of GASB Statement No. 88*, Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*.

GASB Statement No. 88 require disclosures on direct borrowings and direct placements. This Statement also refines debt for purposes of disclosures and requires additional essential information related to debt to be disclosed, including unused lines of credit, assets pledged for collateral and certain debt agreement terms. The requirements of this Statement have been incorporated into the City’s long-term obligations note disclosure.

In accordance with GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, the City has elected to postpone the implementation of the various accounting and financial reporting standards, with the exception of GASB Statement No. 88 discussed above.

NOTE 4 – ACCOUNTABILITY

At December 31, 2019 the following individual funds reported deficit fund balances: Chip Program Income ($3), Police Pension ($18,658) and Fire Pension ($16,418) Special Revenue Funds and Waste Enterprise Fund ($2,813,511).

The deficit fund balance in each of these funds occurred due to the recognition of current liabilities within the funds. None of the funds reported a deficit fund balance on the budgetary basis of accounting, which is the accounting method used by the City to record transactions throughout the year. The General Fund provides operating revenues through transfers and/or advances when funds are needed on the budgetary basis. The deficit net position in the Waste enterprise fund resulted from the reporting of a $4,301,221 liability for estimated post closure care costs.

NOTE 5 – DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool used by all funds. Each of the activities' portion of this pool is displayed on the Statement of Net Position as "Equity in Pooled Cash and Cash Equivalents".

Statutes require the classification of funds held by the City into three categories. Category 1 consists of "active" funds - those funds required to be kept in a "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts. Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing not later than the end of the current period of designation of depositories. Category 3 consists of "interim" funds - those funds which are not needed for immediate use but, which will be needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. By Ohio law, financial institutions must pledge as collateral eligible securities of aggregate market value equal to the excess of deposits not insured by the Federal Deposit Insurance Corporation (FDIC). Eligible securities must be pledged to the City and deposited with a qualified trustee as security for repayment whose market value at all time shall be at least 105% of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value to be 102% of the deposits being secured or a rate set by the Treasurer of State.

At year-end, the carrying amount of the City's deposits was $7,956,317 and the bank balance was $8,077,066. At December 31, 2019, $7,183,460 of the City's bank balance was exposed to custodial credit risk as discussed above.

Investments

The City's investments at December 31, 2019 were as follows:

			Investment Maturities (in Years)			
	Fair Value	Credit Rating	less than 1	1 to 3	3 to 5	Percentage of Portfolio
Money Market Funds	$ 2,714,546	N/A	$ 2,714,546	$ -	$ -	23.8%
Negotiable Certificates of Deposit	1,781,094	N/A	1,292,542	488,552	-	15.6%
STAROhio	4,000,000	AAAm	4,000,000	-	-	35.0%
Federal Farm Credit Bank	500,010	AA+	-	-	500,010	4.4%
Federal Home Loan Mortgage Corporation	1,207,217	AA+	-	1,207,217	-	10.6%
Federal Home Loan Bank	749,700	AA+	-	749,700	-	6.6%
Federal National Mortgage Association	463,889	AA+	-	463,889	-	8.6%
Total Investments	$ 11,416,456		$ 8,007,088	$ 2,909,358	$ 500,010	100.0%

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Credit Risk – The City's investment policy restricts investments in obligations of the United States Treasury and Federal Agencies to direct obligations of the issuing entity. The City's policy requires commercial paper to have a credit rating in the highest classification established by at least two nationally recognized standard rating services and the aggregate value of the notes cannot exceed ten per cent of the outstanding commercial paper of the issuing corporation. Bankers acceptances are restricted to those insured by the federal deposit insurance corporation, are eligible for purchase by the Federal Reserve System and the obligations mature not later than one hundred eighty days after purchase. All negotiable certificates of deposit are covered by FDIC.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer.

NOTE 5 – DEPOSITS AND INVESTMENTS (Continued)

Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the financial statements is based on criteria set forth in GASB Statement No. 9. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

	Cash and Cash Equivalents/Deposits	Investments
Per Financial Statements	$ 19,372,773	-
Investments:		
Money Market Funds	(2,714,546)	2,714,546
Certificates of Deposit	(1,781,094)	1,781,094
STAROhio	(4,000,000)	4,000,000
US Government Agency Obligations	(2,920,816)	2,920,816
Per Footnote	$ 7,956,317	11,416,456

Fair Value Measurement

The City's investments measured and reported at fair value are classified according to the following hierarchy:

Level 1 — Investments reflect prices quoted in active markets.
Level 2 — Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
Level 3 — Investments reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt, equities, and investment derivatives classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Mortgage and asset backed securities classified in Level 3, due to lack of an independent pricing source, are valued using an internal fair value as provided by the investment manager.

		Fair Value Measurements Using		
Investments by Fair Value Level	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Negotiable Certificates of Deposit	$ 1,781,094	$ -	$ 1,781,094	$ -
US Government Agency Obligations	2,920,816	2,920,816	-	-
Total Investments	$ 4,701,910	$ 2,920,816	$ 1,781,094	$ -

Investments classified in Level 2 of the fair value hierarchy are valued using pricing sources as provided by the investment managers. The City's investments in STAROhio and mutual funds are measured at amortized cost and therefore are not classified based on the hierarchy above.

NOTE 6 – RECEIVABLES

Receivables at December 31, 2019 consisted primarily of municipal income taxes, property and other taxes, intergovernmental receivables arising from entitlements, shared revenues, accrued interest on investments and accounts (billing for utility services and various other charges for services). No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections of the 2018 taxes.

2019 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance operations in the subsequent year. Real property taxes are payable annually or semi-annually. If paid annually, the 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. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2019 was $7.45 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2019 property tax receipts were based are as follows:

Real Property Tax Assessed Valuation	$	223,372,510
Public Utility Tangible Personal Property Assessed Valuation		7,580,460
Total	$	230,952,970

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Wilmington. The County Auditor periodically remits to the City its portion of the taxes collected. Accrued property taxes receivable represents real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2019, and for which there is an enforceable legal claim.

In the governmental funds, the entire receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2019 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the full accrual basis, collectible delinquent property taxes have been recorded as revenue.

Income Tax

The City levies a 1.5% income tax on all salaries, wages, commissions and other compensation, and net profits earned within the City, as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit of 100% of the tax to another municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The General Fund receives all income tax proceeds.

NOTE 6 – RECEIVABLES (Continued)

Due from Other Governments

A summary of intergovernmental receivables follows:

Governmental Activities:		
Local government assistance	$	172,388
Homestead/Rollback		71,716
Gasoline tax		283,006
Motor vehicle license fees		5,382
OPWC grant		23,030
Other grant		104,688
	$	660,210

NOTE 7 - INTERFUND ACTIVITY

Transfers are used to subsidize ongoing operations or functions of the recipient funds, as well as to pay scheduled debt service payments as they become due and are not intended to be repaid. Interfund transfers for the year ended December 31, 2019, consisted of the following:

	Transfer From				
Transfer To	General Fund	Water Fund	Sewer Fund	Waste Fund	Total
General Fund	$ -	$ 28,247	$ 5,798	$ 3,963	$ 38,008
Taxi Fund	246,400	-	-	-	246,400
Police Fund	1,998,205	-	-	-	1,998,205
Nonmajor Governmental Funds	2,567,717	-	-	-	2,567,717
Total	$ 4,812,322	$ 28,247	$ 5,798	$ 3,963	$ 4,850,330

Additionally, during 2019, the Street Maintenance transferred $33,458 of capital assets purchased to the Sewer Fund.

Amounts due to one fund from another occurred during the year as the amounts paid from the City's various funds to the self-insurance program were not sufficient to cover the current year claims expense plus the year-end accrual for claims payable. A summary of the interfund due to and due from amounts as of December 31, 2019 is below:

	Due To
Due From	General Fund
Taxi Fund	$ 1,066
Police Fund	4,594
Water Fund	3,630
Sewer Fund	2,955
Waste Fund	3,334
Nonmajor Governmental Funds	6,201
Total	$ 21,780

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Governmental Activities:				
Non-depreciable capital assets:				
Land	$ 3,482,281	-	-	3,482,281
Depreciable capital assets:				
Buildings	8,962,449	31,166	-	8,993,615
Improvements	532,287	-	-	532,287
Equipment	3,876,348	460,268	(70,053)	4,266,563
Vehicles	6,912,446	282,694	(83,411)	7,111,729
Furniture & Fixtures	25,053	-	-	25,053
Infrastructure	5,480,443	-	-	5,480,443
Depreciable capital assets	25,789,026	774,128	(153,464)	26,409,690
Less: accumulated depreciation				
Buildings	(3,545,221)	(194,276)	-	(3,739,497)
Improvements	(354,289)	(18,572)	-	(372,861)
Equipment	(3,243,740)	(249,453)	58,417	(3,434,776)
Vehicles	(4,782,081)	(376,559)	83,411	(5,075,229)
Furniture & Fixtures	(25,053)	-	-	(25,053)
Infrastructure	(928,741)	(109,853)	-	(1,038,594)
Accumulated depreciation	(12,879,125)	(948,713) *	141,828	(13,686,010)
Depreciable capital assets, net	12,909,901	(174,585)	(11,636)	12,723,680
Governmental activities capital assets, net	$ 16,392,182	(174,585)	(11,636)	16,205,961

* - Depreciation expense was charged to governmental functions as follows:

General Government	$ 153,491
Security of Persons & Property	342,040
Leisure Time Activities	133,435
Transportation	305,082
Public Health & Welfare Services	14,665
	$ 948,713

NOTE 8 – CAPITAL ASSETS (Continued)

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Business-Type Activities:				
Non-depreciable capital assets:				
Land	$ 2,431,007	-	-	2,431,007
Construction in Progress	-	3,228,152	-	3,228,152
Non-depreciable capital assets	2,431,007	3,228,152	-	5,659,159
Depreciable capital assets:				
Buildings	19,488,314	-	-	19,488,314
Improvements	20,497,475	-	-	20,497,475
Infrastructure	7,952,940	-	-	7,952,940
Equipment	8,328,842	566,506	(14,087)	8,881,261
Vehicles	2,628,006	677,138	(216,428)	3,088,716
Depreciable capital assets	58,895,577	1,243,644	(230,515)	59,908,706
Less: accumulated depreciation				
Buildings	(7,001,555)	(401,994)	-	(7,403,549)
Improvements	(13,035,843)	(590,253)	-	(13,626,096)
Infrastructure	(6,959,981)	(126,236)	-	(7,086,217)
Equipment	(6,826,318)	(464,126)	9,566	(7,280,878)
Vehicles	(1,130,819)	(220,469)	216,428	(1,134,860)
Accumulated depreciation	(34,954,516)	(1,803,078)	225,994	(36,531,600)
Depreciable capital assets, net	23,941,061	(559,434)	(4,521)	23,377,106
Business-Type activities capital assets, net	$ 26,372,068	2,668,718	(4,521)	29,036,265

NOTE 9 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

GASB Statement No. 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to net pension liability would be effective when the changes are legally enforceable.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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, the majority of employee members are in OPERS' Traditional Plan; therefore, the following disclosures focus 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 (ORC). 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 Ohio Public Employees Retirement System, 277 East Town Street, Columbus, OH 43215-4642, or by calling 800-222-7377.

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3% 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%.

Funding Policy—The ORC provides statutory authority for member and employer contributions. For 2019, member contribution rates were 10% of salary and employer contribution rates were 14%. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution for pension was $823,326; $65,379 is reported within accrued wages and benefits payable.

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

City full-time police and firefighters participate in the Ohio Police & 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 (ORC). OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report 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, OH 43215-5164.

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

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

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

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3% of their base pension or disability benefit.

Funding Policy—The ORC provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2019 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 $499,814 for 2019; $35,076 is reported in accrued wages and benefits payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred to fund their unfunded pension costs associated with police and fire services. As of December 31, 2019, the specific liability of the City is $72,500 payable in semi-annual payments through the year 2035.

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

The net pension liability for OPERS was measured as of December 31, 2018, 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, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. 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	OP&F	Total
Proportionate share of the net pension liability	$ 11,322,483	$ 8,723,214	$ 20,045,697
Proportion of the net pension liability			
Current measurement date	0.041341%	0.106868%	
Prior measurement date	0.039808%	0.106635%	
Change in proportionate share	0.001533%	0.000233%	
Pension expense	$ 2,476,627	$ 1,185,629	$ 3,662,256

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 522	$ 358,401	$ 358,923
Net difference between projected and actual earnings on pension plan investments	1,536,777	1,074,692	2,611,469
Change in assumptions	985,649	231,262	1,216,911
Change in City proportionate share and difference in employers contributions	175,397	326,004	501,401
City contributions subsequent to the measurement date	823,326	499,814	1,323,140
Total	$ 3,521,671	$ 2,490,173	$ 6,011,844
Deferred Inflows of Resources:			
Differences between expected and actual experience	$ (148,671)	$ (8,147)	$ (156,818)
Change in City proportionate share and difference in employers contributions	(70,930)	(320,730)	(391,660)
Total	$ (219,601)	$ (328,877)	$ (548,478)

$1,323,140 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2020	$ 1,042,970	$ 528,772	$ 1,571,742
2021	578,492	293,769	872,261
2022	142,567	374,864	517,431
2023	714,715	448,227	1,162,942
2024	-	15,850	15,850
Thereafter	-	-	-
	$ 2,478,744	$ 1,661,482	$ 4,140,226

Actuarial Assumptions - OPERS

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

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Wage inflation	3.25%
Future salary increases, Including inflation	3.25% to 10.75%
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees: 3% simple; Post 1/7/2013 retirees: 3% simple through 2018, then 2.15% simple
Investment rate of return:	
Current measurement period	7.20%
Prior measurement period	7.50%
Actuarial cost method	Individual entry age

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

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

The long-term expected rate of return on 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 2018, 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 a loss of 2.94% for 2018.

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.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

The table below displays the Board-approved asset allocation policy for 2018 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%	2.79%
Domestic Equities	19.00%	6.21%
Real Estate	10.00%	4.90%
Private Equity	10.00%	10.81%
International Equities	20.00%	7.83%
Other Investments	18.00%	5.50%
Total	100.00%	5.95%

Discount Rate

The discount rate used to measure the total pension liability was 7.20%. 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 statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table represents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.20%, 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 (6.20%) and one-percentage point higher (8.20%) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	$ 16,726,583	$ 11,322,483	$ 6,831,606

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determine amounts are subject to continual review and potential modifications, as actual results are compared with past experiences and new estimates are made about the future.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2018, are presented below:

Valuation date	January 1, 2018 with actuarial liabilities rolled forward to December 31, 2018
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% to 10.50%
Payroll growth	2.75% plus productivity increase rate of 0.5%
Inflation assumptions	2.75%
Cost of living adjustments	3.0% simple; 2.2% simple for increases based on the lesser of the increase in CPI and 3.0%.

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

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 Buck 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 long-term expected rate of return on pension plan investments was determine using a building-block approach and assumes a time horizon, as defined in OP&F's 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 average of expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

NOTE 9 – DEFINED BENEFIT PENSION PLANS (Continued)

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, 2018 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalents	0.0%	0.8%
Domestic equity	16.0%	5.50%
Non-U.S. equity	16.0%	5.90%
Private markets	8.0%	8.40%
Core fixed income*	23.0%	2.60%
High yield fixed income	7.0%	4.80%
Private credit	5.0%	7.50%
U.S. inflation linked bonds*	17.0%	2.30%
Master limited partnerships	8.0%	6.40%
Real assets	8.0%	7.00%
Private real estate	12.0%	6.10%
	120.0%	

*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 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate

The total pension liability was calculated using the discount rate of 8.0%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.0%. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.0%, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (7.0%) or one-percentage point higher (9.0%) 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	$ 11,466,065	$ 8,723,214	$ 6,431,168

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS

Net OPEB Liability

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

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

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

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit 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 Combined plans. This trust is also used to fund health care for Member-Directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, Member-Directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an other post employment benefit (OPEB) as described in GASB Statement No. 75. See OPERS' CAFR referenced below for additional information.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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 statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0% of earnable salary. This is the maximum employer contribution rate 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 Traditional Pension and Combined plans' employer contributions allocated to health care was zero in 2019 and is expected to remain at that level. 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 2019 was 4.0%.

For the year ended December 31, 2019, OPERS did not allocate any employer contributions to postemployment health care.

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

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined postemployment 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 premiums to retirees, qualifying benefit recipients and their eligible dependents.

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

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB. 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 Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Funding Policy—The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5% and 24.0% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% 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 IRS Code Section 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 2019, the portion of the employer contributions allocated to health care was 0.5% 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 Section 115 and 401(h).

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

The City's contractually required contribution to OP&F was $11,893 for 2019; $820 is reported in accrued wages and benefits payable.,

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, 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, 2018 and was determined by rolling forward the total OPEB liability as of January 1, 2018 to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the respective retirement systems relative to the contributions of all participating entities.

The following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportionate share of the net OPEB liability	$ 5,222,671	$ 973,193	$ 6,195,864
Proportion of the net OPEB liability			
Current measurement date	0.040058%	0.106868%	
Prior measurement date	0.038777%	0.106635%	
Change in proportionate share	0.001281%	0.000233%	
OPEB expense	$ 489,688	$ (4,824,495)	$ (4,334,807)

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources:			
Differences between expected and actual experience	$ 1,768	$ -	$ 1,768
Net difference between projected and actual earnings on OPEB plan investments	239,428	32,944	272,372
Change in assumptions	168,385	504,459	672,844
Change in City proportionate share and difference in employers contributions	93,300	10,401	103,701
City contributions subsequent to the measurement date	-	11,893	11,893
Total	$ 502,881	$ 559,697	$ 1,062,578
Deferred Inflows of Resources:			
Differences between expected and actual experience	(14,171)	(26,075)	(40,246)
Change in assumptions	-	(269,428)	(269,428)
Change in City proportionate share and difference in employers contributions	(32,248)	(205,808)	(238,056)
Total	$ (46,419)	$ (501,311)	$ (547,730)

$11,893 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2020	$ 203,601	$ 9,675	$ 213,276
2021	91,406	9,675	101,081
2022	40,839	9,675	50,514
2023	120,616	19,639	140,255
2024	-	3,930	3,930
Thereafter	-	(6,101)	(6,101)
	$ 456,462	$ 46,493	$ 502,955

Actuarial Assumptions - OPERS

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

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Projections of health care costs for financial reporting purposes are based on the substantive plan and include the types of coverages provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OBEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 74:

Wage inflation	3.25%
Projected salary increases	3.25% to 10.75%, including wage inflation
Singe discount rate:	
Current measurement period	3.96%
Prior measurement period	3.85%
Investment rate of return:	
Current measurement period	6.00%
Prior measurement period	6.50%
Municipal bond rate:	
Current measurement period	3.71%
Prior measurement period	3.31%
Health care cost trend rate:	
Current measurement period	10.0% initial, 3.25% ultimate in 2029
Prior measurement period	7.5% initial, 3.25% 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 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 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 2018, 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 was a loss of 5.60% for 2018.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

The allocation of investment assets within the Health Care portfolio is approved by the OPERS Board 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 benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the OPERS Board-approved asset allocation policy for 2018 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%	2.42%
Domestic Equities	21.00%	6.21%
REITs	6.00%	5.98%
International Equities	22.00%	7.83%
Other Investments	17.00%	5.57%
Total	100.00%	5.16%

Discount Rate

A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. 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 6.00% and a municipal bond rate of 3.71%. 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 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, 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 3.96%, as well as what the City's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0% point lower (2.96%) or 1.0% point higher (4.96%) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	$ 6,681,558	$ 5,222,671	$ 4,062,211

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

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% lower or 1.0% 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 2019 is 10.00%. 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% 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	$ 5,019,981	$ 5,222,671	$ 5,455,804

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018 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 retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefit for financial 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 applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Key Methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation are presented below:

Actuarial valuation date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial cost method	Entry age normal
Investment rate of return	8.0%
Projected salary increases	3.75% to 10.50%
Payroll growth	Inflation rate of 2.75%, plus productivity increase rate of 0.5%
Single discount rate:	
Current measurement date	4.66%
Prior measurement date	3.24%
Municipal bond rate:	
Current measurement date	4.13%
Prior measurement date	3.16%
Cost of living adjustments	3.0% simple; 2.2% simple for increase based on the lesser of the increases in CPI and 3.0%

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 Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

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 Buck 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 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 OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as a baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Best estimates of the long-term expected real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018 are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and cash equivalent	0.0%	0.80%
Domestic equity	16.0%	5.50%
Non-U.S. equity	16.0%	5.90%
Private markets	8.0%	8.40%
Core fixed income*	23.0%	2.60%
High yield fixed income	7.0%	4.80%
Private credit	5.0%	7.50%
U.S. inflation linked bonds*	17.0%	2.30%
Master limited partnerships	8.0%	6.40%
Real assets	8.0%	7.00%
Private real estate	12.0%	6.10%
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 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate

Total OPEB liability was calculated using the discount rate of 4.66%. The projection of cash flows used to determine the discount rate assumed the contributions 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 of 8.0%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, a municipal bond rate of 4.13% at December 31, 2018 and 3.16% at December 31, 2017 was blended with the long-term rate of 8.0%, which resulted in a blended discount rate of 4.66% at December 31, 2018 and 3.24% at December 31, 2017.

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 4.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (3.66%) and 1% point higher (5.66%) than the current discount rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	$ 1,185,615	$ 973,193	$ 794,883

NOTE 10 – DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLANS (Continued)

Changes Subsequent to the Measurement Date.

Changes Subsequent to the Measurement Date. 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 will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). 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. As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years.

NOTE 11 – OTHER EMPLOYEE BENEFITS

Compensated Absences

Each full-time employee is entitled, for each completed 80 hours of service, to four and six-tenths hours of sick leave. Fire personnel earn 6.4 hours of sick leave bi-weekly. Part-time employees accrue sick leave on a proportional basis to the hours paid each pay period. Sick leave accruals may be increased by no more than 15 days a year to a maximum of 1200 hours.

Upon qualifying for eligibility to receive retirement benefits, each full-time City employee shall be entitled to receive payment for sick leave accumulated in the amount to one-fourth the number of hours of such person's daily pay on the date of retirement. At December 31, 2019, the estimated total absences payable of the City was $1,060,134.

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NOTE 12 – LONG-TERM OBLIGATIONS

A schedule of changes in long-term obligations of the City during 2019 is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Bonds Payable	$ 1,440,000	$ -	$ 465,000	$ 975,000	$ 475,000
Accrued Bond Premium	56,236	-	21,089	35,147	-
Total General Obligation Bonds	1,496,236	-	486,089	1,010,147	475,000
Notes Payable	653,372	-	99,634	553,738	103,166
Direct Borrowing:					
Police and Fire Pension	75,760	-	3,260	72,500	3,401
Other Long-Term Obligations:					
Capital Leases Payable	261,817	-	97,008	164,809	100,574
Compensated Absences	732,624	87,915	132,845	687,694	87,915
Net Pension Liability:					
OPERS	3,780,686	3,130,837	-	6,911,523	
OP&F	6,544,658	2,178,556	-	8,723,214	-
Net OPEB Liability:					
OPERS	2,586,177	623,861	-	3,210,038	
OP&F	6,041,777	-	5,068,584	973,193	-
Total Governmental Activities	$ 22,173,107	$ 6,021,169	$ 5,887,420	$ 22,306,856	$ 770,056
Business-Type Activities:					
Mortgage Revenue Bonds Payable	$ 9,690,000	$ -	$ 545,000	$ 9,145,000	$ 565,000
Accrued Bond Premium	609,198	-	45,126	564,072	-
Total Mortgage Revenue Bonds	10,299,198	-	590,126	9,709,072	565,000
Bond Anticipation Notes	250,000	650,000	250,000	650,000	650,000
Direct Borrowing:					
Notes Payable	870,516	-	57,295	813,221	59,699
OWDA Construction Commitments	-	412,354	-	412,354	-
Other Long-Term Obligations:					
Capital Leases Payable	380,474	3,499,164	136,883	3,742,755	456,058
Estimated Liability for Landfill Closure and Postclosure Care	4,208,360	92,861	-	4,301,221	-
Compensated Absences	362,712	155,966	146,238	372,440	93,111
Net Pension Liability:					
OPERS	2,464,355	1,946,605	-	4,410,960	-
Net OPEB Liability:					
OPERS	1,624,750	387,885	-	2,012,635	-
Total Business-Type Activities	$ 20,460,365	$ 7,144,835	$ 1,180,542	$ 26,424,658	$ 1,823,868

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and equipment. General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the government. The bonds will be retired from the debt service fund.

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

The City has one general obligation bond issue outstanding. All general obligation bonds have been issued for governmental activities. General obligation bonds currently outstanding are as follows:

Issue Year	Purpose	Interest Rate	Maturity Year	Issue Amount	Amount Outstanding at Year End
2013	Mun Bldg/Fire Refunding	2.0% to 4.0%	2021	$ 3,635,000	$ 975,000

Annual debt service requirements to maturity for the general obligation bonds are as follows:

Year Ending December 31	Principal	Interest	Total
2020	$ 475,000	$ 39,000	$ 514,000
2021	500,000	20,000	520,000
Total	$ 975,000	$ 59,000	$ 1,034,000

Bond Anticipation Notes

In May 2019, the City issued bond anticipation notes in the amount of $650,000 that provided funding to rollover a portion of the bond anticipation note originally issued in June 2018 for the amount attributable to the landfill. The principal balance will be paid in full in April 2020.

Mortgage Revenue Bonds

The City issues revenue bonds where income generated by the operation benefiting from the bonds pays the annual debt service requirements. All revenue bonds are for business-type activities and outstanding revenue bonds at December 31, 2019 are as follows:

Issue Year	Purpose	Interest Rate	Maturity Year	Issue Amount	Outstanding at Year End
2017	Waterworks System Revenue Bonds	2.00% to 4.00%	2032	$ 10,485,000	$ 9,145,000

The City has pledged future water revenue, net of specified operating expenses, to repay the above noted mortgage revenue bonds. These bonds are payable solely from net water revenues. Total principal and interest paid during 2019 for the Water mortgage revenue bonds was $891,438 compared with net revenue of $1,070,858.

Annual debt service requirements to maturity for the mortgage revenue bonds are as follows:

Year Ending December 31	Principal	Interest	Total
2020	$ 565,000	$ 329,938	$ 894,938
2021	580,000	312,838	892,838
2022	595,000	295,388	890,388
2023	615,000	274,338	889,338
2024	645,000	249,438	894,438
2025-2029	3,620,000	836,288	4,456,288
2030-2032	2,525,000	152,116	2,677,116
Total	$ 9,145,000	$ 2,450,344	$ 11,595,344

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

OWDA Loan Payable

The City entered into a direct borrowing arrangement with the Ohio Water Development Authority (OWDA) to finance improvements of the City's sewer system infrastructure. The amount financed was $1,250,000. The loan has a 4.15 percent interest rate and matures on July 1, 2030. The following is the annual debt service requirements to maturity, which is to be repaid through receipts collected in the Sewer fund:

Year Ending December 31	Principal	Interest	Total
2020	$ 59,699	$ 33,136	$ 92,835
2021	62,202	30,632	92,834
2022	64,810	28,024	92,834
2023	67,528	25,307	92,835
2024	70,359	22,475	92,834
2025-2029	398,601	65,570	464,171
2030	90,022	2,812	92,834
Total	$ 813,221	$ 207,956	$ 1,021,177

During 2019, the City entered into a direct borrowing arrangement with the Ohio Water Development Authority (OWDA) to finance water treatment plant improvements. The total amount awarded as of December 31, 2019 was $412,354. This amount is reported within notes payable on the proprietary fund level statements and as non-current liability due in more than one year on the entity wide statements.

Police and Fire Pension Liability

The police and fire pension obligation payable was entered into in 1997 as a direct borrowing arrangement with the Ohio Police and Fire Pension Fund, with a total principal amount financed of $121,574. These obligations were offered to assist governments throughout the State of Ohio to fund their unfunded pension costs associated with police and fire service. This obligation is being repaid by the police and fire pension funds through the use of local property tax revenues where the proceeds are to be used to pay this pension obligation and is included within the governmental activities.

Annual debt service requirements to maturity for the police and fire pension liability are as follows:

Year Ending December 31	Principal	Interest	Total
2020	$ 3,400	$ 3,044	$ 6,444
2021	3,546	2,898	6,444
2022	3,699	2,746	6,445
2023	3,884	2,560	6,444
2024	4,023	2,421	6,444
2025-2029	22,862	9,361	32,223
2030-2034	28,212	4,011	32,223
2035	2,874	64	2,938
Total	$ 72,500	$ 27,105	$ 99,605

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

Energy Conservation Improvement Note

The direct placement Energy Conservation Improvement Note was entered into in 2009, with a total principal amount financed of $1,353,708, maturing on October 1, 2024, with an interest rate of 5 percent. This note was issued for the purpose of funding energy conservation improvements to City buildings and facilities. During 2018, the City issued a replacement note reducing the interest rate from 5 percent to 3.5 percent effective January 1, 2018 through maturity on October 1, 2024.

Annual debt service requirements to maturity for the energy conservation improvement note is as follows.

Year Ending December 31	Principal	Interest	Total
2020	$ 103,166	$ 18,036	$ 121,202
2021	106,825	14,378	121,203
2022	110,613	10,590	121,203
2023	114,536	6,667	121,203
2024	118,598	2,606	121,204
Total	$ 553,738	$ 52,277	$ 606,015

Capital Leases

At December 31, 2019, the City is obligated under leases that are classified as capital leases.

In 2019, the City entered into a lease purchase agreement for water meter equipment and billing software. The lease is for a total of $4,639,004 and calls for annual payments of $309,300. The final payment under this lease is due in January 2034.

In 2018, the City entered into a lease purchase agreement for a wheel loader. The lease is for a total of $120,134 and calls for annual payments of $40,045. The final payment under this lease is due in January 2020.

In 2018, the City entered into a lease purchase agreement for an ambulance. The lease is for a total of $267,950 and calls for annual payments of $66,987. The final payment under this lease is due in December 2021.

In 2016, the City entered into a lease purchase agreement for loader/carts. The lease is for a total of $528,390 and calls for annual payments of $105,678. The final payment under this lease is due in September 2021.

In 2015, the City entered into a lease purchase agreement for a truck. The lease is for a total of $256,448 and calls for annual payments of $42,741. The final payment under this lease is due in November 2020.

The assets acquired through outstanding capital leases are shown below.

	Governmental Activities	Business-Type Activities
Construction in Progress	$ -	$ 2,815,798
Equipment	116,970	481,983
Vehicles	243,894	235,000
Less: Accumulated Depreciation	(72,173)	(367,520)
Total	$ 288,691	$ 3,165,261

NOTE 12 – LONG-TERM OBLIGATIONS (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments.

Year Ending December 31	Governmental Activities	Business-Type Activities
2020	$ 107,032	$ 693,163
2021	66,987	414,978
2022	-	309,300
2023	-	309,300
2024 and thereafter	-	3,166,360
Total Minimum Lease Payments	174,019	4,893,101
Less: Amount Representing Interest	(9,210)	(1,150,346)
Present Value of Minimum Lease Payments	$ 164,809	$ 3,742,755

Depreciation expense for the year ended December 31, 2019 for assets under capital leases was $36,086 for governmental activities and $87,963 for business-type activities.

NOTE 13 – RISK MANAGEMENT

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. In 1992 the City entered into a joint insurance pool, Miami Valley Risk Management Association, Inc. (MVRMA, Inc.) with other local entities. As of December 31, 2019, the pool has twenty-one members. The pool has been operational since December of 1988 and was formed in accordance with Section 2744 of the Ohio Revised Code. This jointly governed organization provides real and personal property, crime, surety, general liability, boiler and machinery, employment practices liability, police professional and public official liability coverage up to the limits stated below. Membership in MVRMA is intended to provide broad based coverage up to the limits stated below, with increased emphasis on safety and loss prevention and to create an opportunity for other local governments to participate. MVRMA is a non-profit corporation governed by a twenty-one member board of trustees, consisting of a representative appointed by each of the member entities. The board of trustees elects the officers of the corporation, with each trustee having a single vote. Management is provided by an Executive Director, who is assisted by a Claims Manager, a full-time Loss Control Manager and professional office staff. The board is responsible for its own financial matters and the corporation maintains its own books of account. Budgeting and financing of MVRMA is subject to the approval of the board, and the organization is covered by policies, procedures, and formally adopted bylaws.

The individual MVRMA, Inc. members are not considered "participants having equity interest" since members have no rights to any assets of MVRMA, Inc. other than possible residual claims upon dissolution. The risk of loss is transferred from the City to the pool. Therefore, MVRMA, Inc. is a multi-jurisdictional arrangement that has the characteristics of a joint venture but has additional features that distinguish it, for financial reporting purposes, from the traditional joint venture.

NOTE 13 – RISK MANAGEMENT (Continued)

The following is a summary of insurance coverage at year end:

General Liability	$	12,000,000	per occurrence
Automobile		12,000,000	per occurrence
Police Professional Liability		12,000,000	per occurrence
Employment Practices & Public Officials Liability		12,000,000	Aggregate
Property		1,000,000,000	per occurrence
Flood (Zone specific)		25,000,000	per occurrence
Earthquake		25,000,000	per occurrence
Boiler & Machinery		100,000,000	per occurrence
Cyber Coverage		2,000,000	per occurrence
Pollution Liability		1,000,000	per condition

The member deductible per occurrence for most types of claims is $2,500. The pool's self-insured retention (SIR) for property claims is $2,501 - $250,000 per occurrence. The SIR for Boiler and Machinery is $10,000 - $500,000 per occurrence. The SIR for Pollution Liability is $75,000 - $750,000 per pollution condition. The pool's SIR for liability claims is $1,000,000 per occurrence. Excess insurance coverage, provided by commercial companies and an excess insurance pool is $1,000,000 to the limits stated above. The City pays an annual premium to MVRMA which is intended to cover administrative expenses and any claims covered by the pool. The MVRMA Board of Trustees has the ability to require the member cities to make supplemental payments in the event reserves are not adequate to cover claims in a particular loss year. The City was not required to make any supplemental payments as of December 31, 2019.

MVRMA issues a stand-alone financial report that includes financial statements and required supplementary information for MVRMA, Inc. Interested parties may obtain a copy by making a written request to 4625 Presidential Way, Kettering, Ohio 45429-5706.

Workers' Compensation claims are covered under the State of Ohio Bureau of Workers' Compensation. The City participates in the Ohio Municipal League's Workers' Compensation Group Rating Program to benefit from the shared risk of a pooled group. The City pays the State Workers' Compensation System a premium based upon a rate per $100 of payroll. The rate is determined based on the group's accident history and administrative costs. The City also pays unemployment claims to the State of Ohio as incurred.

The City continues to carry commercial insurance for other risks of loss, including employee life insurance. There has been no significant reduction in insurance coverage from coverage in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Self-Insured Health Insurance

Beginning in 2009, the City provides health, dental and vision insurance coverage for its employees through a self-insurance plan administered by Anthem. Anthem provides claims review and processing services. This program is accounted for in the General Fund and is funded through premium contributions provided by the City as well as a portion from City employees. Program year runs from April 1 through March 31 of each year. Stop loss insurance is purchased through Anthem to cover loss in excess of $75,000 per subscriber or $3,258,116 in aggregate for the plan year ended March 31, 2020. The City expects that all claims will be settled within one year.

NOTE 13 – RISK MANAGEMENT (Continued)

Changes in claims activity for employee health insurance benefits for the past two fiscal years are as follows:

Year		Beginning Balance	Current Year Claims	Current Year Claim Payments	Ending Balance
2019	$	253,600	2,127,099	2,132,799	247,900
2018	$	380,600	1,765,680	1,892,680	253,600

NOTE 14 – CONTINGENT LIABILITIES

Litigation

The City is a defendant in various lawsuits and subject to various claims over which litigation has not yet commenced. Although the outcomes of these matters are not presently determinable, in the opinion of management and the law director, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

Grants

For the period January 1, 2019 to December 31, 2019, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could result to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowances, if any, would be financially insignificant.

NOTE 15 - COMMITMENTS

Encumbrances

At December 31, 2019, the City had the following amounts encumbered for purchase obligations:

Fund		Year-End Encumbrances
General Fund	$	1,359,708
Taxi Fund		1,857
Police Fund		81,376
Non-major Governmental Funds		178,131
Total	$	1,621,072

NOTE 16 - LANDFILL CLOSURE AND POST-CLOSURE CARE COST

State and federal laws and regulations require that the City place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City is required by generally accepted accounting principles to report a portion of these closure and post-closure care costs as an operating expense in each period based on landfill capacity used as of each balance sheet date.

NOTE 16 - LANDFILL CLOSURE AND POST-CLOSURE CARE COST (Continued)

The City is required by state and federal laws and regulations to prove financial assurance to finance closure and post-closure care. The $4,301,221 reported as landfill closure and post-closure care liability at December 31, 2019, represents the cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill prior to vertical expansion and the additional capacity gained by phase III of the vertical expansion and the Northwest Expansion Modification approved by the Ohio EPA in December of 2019. The sum of current final closure, post-closure and/or corrective measures cost estimates is $7,477,782. The Ohio Environmental Protection Agency has established certain rules applicable to the City, requiring that the permittee of a Solid Waste Disposal Facility ensure adequate funds will be available when needed for final closure and/or post-closure care of the facility. The City has elected to provide a letter from the Chief Financial Officer, as specified in paragraph (F) of Rule 3745-27-15 or in paragraph (F) of Rule 3745-27-16 of the Ohio Administrative Code as the mechanism to demonstrate the City's Financial Assurance as specified in Chapter 3745-27 of the Ohio Administrative Code.

NOTE 17 – SUBSEQUENT EVENTS

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The investments of the pension and other employee benefit plans in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City’s future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Additionally, in April of 2020, the City issued General Obligation Landfill Facility Improvement Notes in the amount of $2,450,000 to provide funding for a portion of the costs associated with the acquisition and construction of an expansion bridge for the City’s landfill facility.

CITY OF WILMINGTON
CLINTON COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

LAST SIX YEARS (1) (2)

	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.041663%	$ 4,911,525	$ 4,926,883	99.69%	86.36%
2015	0.041663%	5,025,136	5,107,958	98.38%	86.45%
2016	0.042478%	7,357,807	5,315,675	138.42%	81.08%
2017	0.041101%	9,333,340	5,313,650	175.65%	77.25%
2018	0.039808%	6,245,040	5,261,038	118.70%	84.66%
2019	0.041341%	11,322,483	5,584,021	202.77%	74.70%

(1) Information prior to 2014 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

NOTES TO SCHEDULE:

Changes in Assumptions:
In 2017, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2015. Significant changes included a reduction of the discount rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

In 2019, a reduction of the discount rate was made from 7.5% to 7.2%.

CITY OF WILMINGTON
CLINTON COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
OHIO POLICE AND FIRE PENSION FUND

LAST SIX YEARS (1) (2)

	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability	City's Covered Payroll	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.107624%	$ 5,241,636	$ 2,500,867	209.59%	73.00%
2015	0.107624%	5,575,382	2,212,181	252.03%	71.71%
2016	0.101192%	6,509,754	2,341,055	278.07%	66.77%
2017	0.112278%	7,111,575	2,368,651	300.24%	68.36%
2018	0.106635%	6,544,659	2,438,706	268.37%	70.91%
2019	0.106868%	8,723,214	2,559,343	340.84%	63.07%

(1) Information prior to 2014 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

NOTES TO SCHEDULE:

Changes in Assumptions:
In 2018, changes in assumptions were made based upon an updated experience study that was completed for the five-year period ended December 31, 2016. Significant changes included a reduction of the discount rate from 8.25% to 8.0%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

CITY OF WILMINGTON
CLINTON COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

LAST SEVEN YEARS (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 591,226	$ (591,226)	$ -	$ 4,926,883	12.00%
2014	612,955	(612,955)	-	5,107,958	12.00%
2015	637,881	(637,881)	-	5,315,675	12.00%
2016	637,638	(637,638)	-	5,313,650	12.00%
2017	683,935	(683,935)	-	5,261,038	13.00%
2018	781,763	(781,763)	-	5,584,021	14.00%
2019	823,326	(823,326)	-	5,880,900	14.00%

(1) Information prior to 2013 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

CITY OF WILMINGTON
CLINTON COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS
OHIO POLICE AND FIRE PENSION FUND

LAST SEVEN YEARS

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	$ 427,148	$ (427,148)	$ -	$ 2,500,867	17.08%
2014	450,400	(450,400)	-	2,212,181	20.36%
2015	470,318	(470,318)	-	2,341,055	20.09%
2016	475,862	(475,862)	-	2,368,651	20.09%
2017	489,936	(489,936)	-	2,438,706	20.09%
2018	514,172	(514,172)	-	2,559,343	20.09%
2019	499,814	(499,814)	-	2,487,875	20.09%

(1) Information prior to 2013 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

CITY OF WILMINGTON
CLINTON COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

LAST THREE YEARS (1) (2)

	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.0396502%	$ 4,004,811	$ 5,313,650	75.37%	54.05%
2018	0.0387773%	4,210,926	5,261,038	80.04%	54.14%
2019	0.0400584%	5,222,671	5,584,021	93.53%	46.33%

(1) Information prior to 2017 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

NOTES TO SCHEDULE:

Changes in Assumptions:
In 2018, the single discount rate changed from 4.23% to 3.85%.
rate from 8.0% to 7.5%, a reduction in the wage inflation rate from 3.75% to 3.25%, and transition from the RP-2000 mortality tables to the RP-2014 mortality tables.

In 2019, the single discount rate changed from 3.85% to 3.96%, the investment rate of return changed from 6.50% to 6.00%, and the health care cost trend rate changed from 7.5% initial to 10.0% initial.

CITY OF WILMINGTON
CLINTON COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
OHIO POLICE AND FIRE PENSION PLAN

LAST THREE YEARS (1) (2)

	City's Proportion of the Net OPEB Liability	City's Proportionate Share of the Net OPEB Liability	City's Covered Payroll	City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.1122780%	$ 5,329,584	$ 2,368,651	225.01%	15.96%
2018	0.1066348%	6,041,778	2,438,706	247.75%	14.13%
2019	0.1068675%	973,193	2,559,343	38.03%	46.57%

(1) Information prior to 2017 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

(2) Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

NOTES TO SCHEDULE:

Changes in Assumptions:
In 2018, the single discount rate changed from 3.79% to 3.24%.

In 2019, the single discount rate changed from 3.24% to 4.66%.

Change in Benefit Terms
Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model, depositing stipends into individual health reimbursements accounts that retiree will use to be reimbursed for health care expenses.

CITY OF WILMINGTON
CLINTON COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM

LAST FIVE YEARS (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 109,800	$ (109,800)	$ -	$ 5,315,675	2.07%
2016	109,579	(109,579)	-	5,313,650	2.06%
2017	54,931	(54,931)	-	5,261,038	1.00%
2018	-	-	-	5,584,021	0.00%
2019	-	-	-	5,880,900	0.00%

(1) Information prior to 2015 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

CITY OF WILMINGTON
CLINTON COUNTY, OHIO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS
OHIO POLICE AND FIRE PENSION FUND

LAST FIVE YEARS (1)

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2015	$ 11,309	$ (11,309)	$ -	$ 2,341,055	0.48%
2016	11,520	(11,520)	-	2,368,651	0.49%
2017	11,731	(11,731)	-	2,438,706	0.48%
2018	12,324	(12,324)	-	2,559,343	0.48%
2019	11,893	(11,893)	-	2,487,875	0.48%

(1) Information prior to 2015 is not available. The City will continue to present for years available until a full ten-year trend is compiled.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	$ 8,439,026	8,349,763	9,160,633	810,870
Special Assessments	82,294	80,000	89,331	9,331
Licenses and Permits	140,365	70,550	152,367	81,817
Intergovernmental	361,846	365,046	392,787	27,741
Charges for Services	1,118,833	1,227,500	1,214,503	(12,997)
Investment Income	101,092	68,500	109,736	41,236
Fees, Fines and Forfeitures	529,001	676,600	574,235	(102,365)
Other Revenue	3,577,931	3,509,145	3,192,583	(316,562)
Total Revenues	14,350,388	14,347,104	14,886,175	539,071
EXPENDITURES:				
Current:				
General Government	7,804,195	10,312,262	9,473,429	838,833
Security of Persons & Property	570,940	574,543	478,553	95,990
Total Expenditures	8,375,135	10,886,805	9,951,982	934,823
Excess (Deficit) Revenues Over/ (Under) Expenditures	5,975,253	3,460,299	4,934,193	1,473,894
OTHER FINANCING SOURCES (USES):				
Transfers-In	125,000	125,000	-	(125,000)
Transfers-Out	(5,942,820)	(5,728,232)	(5,009,423)	718,809
Total Other Financing Sources (Uses)	(5,817,820)	(5,603,232)	(5,009,423)	593,809
Net Change in Fund Balance	157,433	(2,142,933)	(75,230)	2,067,703
Fund Balance, Beginning of Year	4,230,036	4,230,036	4,230,036	-
Prior Year Encumbrances Appropriated	17,097	17,097	17,097	-
Fund Balances, End of Year	$ 4,404,566	2,104,200	4,171,903	2,067,703

See accompanying notes to the required supplementary information.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
Taxi Fund
For the Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Intergovernmental	$ 805,892	826,892	863,436	36,544
Charges for Services	353,960	353,960	339,525	(14,435)
Other Revenue	19,000	19,000	85,804	66,804
Total Revenues	1,178,852	1,199,852	1,288,765	88,913
EXPENDITURES:				
Current:				
Transportation	1,429,045	1,525,318	1,511,433	13,885
Capital Outlay	30,844	29,108	29,108	-
Total Expenditures	1,459,889	1,554,426	1,540,541	13,885
Excess (Deficit) Revenues Over/ (Under) Expenditures	(281,037)	(354,574)	(251,776)	102,798
OTHER FINANCING SOURCES (USES):				
Transfers-In	281,000	281,000	246,400	(34,600)
Total Other Financing Sources (Uses)	281,000	281,000	246,400	(34,600)
Net Change in Fund Balance	(37)	(73,574)	(5,376)	68,198
Fund Balance, Beginning of Year	76,680	76,680	76,680	-
Prior Year Encumbrances Appropriated	37	37	37	-
Fund Balances, End of Year	$ 76,680	3,143	71,341	68,198

See accompanying notes to the required supplementary information.

CITY OF WILMINGTON, OHIO
CLINTON COUNTY
Schedule of Revenues, Expenditures and Changes
In Fund Balance - Budget and Actual (Budget Basis)
Police Fund
For the Year Ended December 31, 2019

		Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:					
Taxes	$	258,422	258,422	249,547	(8,875)
Intergovernmental		22,200	22,200	23,227	1,027
Charges for Services		1,950	1,950	1,395	(555)
Fees, Fines and Forfeitures		1,000	1,000	1,394	394
Other Revenue		27,000	27,000	66,885	39,885
Total Revenues		310,572	310,572	342,448	31,876
EXPENDITURES:					
Current:					
Security of Persons & Property		2,512,687	2,566,324	2,274,335	291,989
Capital Outlay		113,000	74,075	78,041	(3,966)
Total Expenditures		2,625,687	2,640,399	2,352,376	288,023
Excess (Deficit) Revenues Over/ (Under) Expenditures		(2,315,115)	(2,329,827)	(2,009,928)	319,899
OTHER FINANCING SOURCES (USES):					
Transfers-In		2,323,942	2,323,942	1,998,205	(325,737)
Total Other Financing Sources (Uses)		2,323,942	2,323,942	1,998,205	(325,737)
Net Change in Fund Balance		8,827	(5,885)	(11,723)	(5,838)
Fund Balance, Beginning of Year		321	321	321	-
Prior Year Encumbrances Appropriated		11,467	11,467	11,467	-
Fund Balances, End of Year	$	20,615	5,903	65	(5,838)

See accompanying notes to the required supplementary information.

Budgets and Budgetary Accounting

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, certificate of estimated resources, and appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year with the legal restriction that appropriation cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each department for each fund. Budgetary modification may be made only by ordinance of the City Council.

Basis of budgeting refers to when revenues and expenditures or expenses are recognized in the accounts. The City of Wilmington's (the City) budget for all legislated funds are prepared on a cash-encumbrance basis wherein transactions are recorded when cash is received or disbursed, or when a commitment has been recorded as an encumbrance against an applicable appropriation. All annual appropriations lapse at year-end to the extent they have not been expended or lawfully encumbered. Fund balances shown are unencumbered cash balances. This basis is utilized for all interim financial statements issued during the year.

The basis of budgeting differs from generally accepted accounting principles (GAAP) used for the City's year-end basic financial statements. Under that basis of accounting, revenues are generally recognized when the obligation to the City arises; the budget basis however, recognizes revenue only when cash has been received. In the basic financial statements, expenditures are generally recognized in the period in which they are incurred. Under that budget basis, expenditures are recognized when cash has been disbursed or when an encumbrance has been placed against an appropriation.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and revises estimated revenues. The commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation ordinance. On or about January 1, the certificate of estimated resources is amended to include unencumbered fund balances at December 31 of the preceding year. The certificate may be further amended during the year if the fiscal officer determines that the revenue collected is greater or less than the current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2019.

Appropriations

A temporary appropriation measure to control expenditures may be passed on or about January 1 of each year for the period from January 1 to March 31. The annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance controls expenditures at the fund, departmental, and object level and may be amended or supplemented only by council during the year as required. During the year, several supplemental appropriation measures were legally passed. The budget figures, which appear in the statements of budgetary comparison, represent the final appropriation amounts, including all amendments and modifications.

Encumbrances

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

Lapsing of Appropriations

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

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law requires accounting for certain transactions on the basis of cash receipts, disbursements, appropriations and encumbrances. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

The Schedules of Revenues, Expenditures and Changes in Fund Balances, Budget and Actual (Budget Basis), The General Fund, Taxi Fund and Police Fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

3. Encumbrances are recorded as the equivalent of expenditures (budget basis) as opposed to a component of fund balances (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and the major special revenue funds.

Changes in Fund Balances

		General Fund	Taxi Fund	Police Fund
GAAP Basis	$	1,610,280	(69,795)	(19,253)
Revenue Accruals		2,776,605	(63,338)	(32)
Expenditure Accruals		(2,861,812)	129,614	88,938
Transfers		(235,109)	-	-
Encumbrances		(1,359,708)	(1,857)	(81,376)
Other Funds Legally Budgeted Separately		(5,486)	-	-
Budget Basis	$	(75,230)	(5,376)	(11,723)

OHIO AUDITOR OF STATE
KEITH FABER

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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 Wilmington
Clinton County
69 North South Street
Wilmington, Ohio 45177

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Wilmington, Clinton County, (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 24, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City.

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 2019-001 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 no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

City's Response to Findings

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

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

September 24, 2020

CITY OF WILMINGTON
CLINTON COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019

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

FINDING NUMBER 2019-001

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 their 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. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The City lacked management oversight in the preparation of its financial statements. This condition resulted in the following financial statement error:

The City did not account for an on behalf of payment from the Ohio Department of Transportation for the purchase of vans for taxi services. This resulted in the revenues and expenditures in the Taxi Fund being understated by $116,428. The financial statements have been adjusted for this error.

Failure to accurately prepare the financial statements 1) reduces the accountability over the City's funds, 2) reduces Council's ability to monitor financial activity and make informed decisions, 3) increases the likelihood that monies will be misappropriated and not detected and 4) increases the likelihood that the financial statements will be misstated.

To strengthen the internal control structure and reduce the likelihood of undetected errors, the City Auditor and staff should review the City financial statements before they are submitted in the Auditor of State's Hinkle System for accuracy to ensure financial information, including on behalf payments are properly reported in the City's financial statements.

Officials' Response:

The City concurs with the finding. The City Auditor's office is aware of the reporting requirements to identify and record all activity for transactions made "on behalf" of the City. This was an isolated instance for 2019, as the City has been diligent in making those entries for other City of Wilmington funds in the current year and in years past.

The City Auditor and staff will implement an additional review process and develop procedures to ensure better communication with various City departments who receive "on-behalf" payments and also with our 3rd party contractor who prepares the year-end financial statements, to ensure all "on behalf" payments have been identified and recorded.

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OHIO AUDITOR OF STATE
KEITH FABER

CITY OF WILMINGTON

CLINTON COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 9/29/2020