

CITY OF PERRYSBURG, OHIO

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2017**

Prepared by:
David D. Creps
Director of Finance



Dave Yost • Auditor of State

Members of City Council
City of Perrysburg
201 West Indiana Avenue
Perrysburg, Ohio 43551

We have reviewed the *Independent Auditors' Report* of the City of Perrysburg, Wood County, prepared by Rehmann Robson LLC, for the audit period January 1, 2017 through December 31, 2017. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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Dave Yost
Auditor of State

August 13, 2018

CITY OF PERRYSBURG, OHIO

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INDEPENDENT AUDITORS' REPORT

June 26, 2018

Honorable Mayor and
Members of the City Council
City of Perrysburg, Ohio

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 Perrysburg, Ohio* (the "City") as of and for the year ended December 31, 2017, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Perrysburg, Ohio, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, required budgetary comparison schedule and the schedules of net pension liabilities and pension contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2018, on our consideration of the City of Perrysburg, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

The image shows a handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

CITY OF PERRYSBURG, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

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

FINANCIAL HIGHLIGHTS

Key financial highlights for 2017 are as follows:

- ❑ In total, net position increased \$13,893,397. Net position of governmental activities increased \$8,682,131, an increase of 8.7% from 2016. Net position of business-type activities increased \$5,211,266 or 6.7% from 2016.
- ❑ General revenues accounted for \$24.3 million in revenue or 51% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for 49% of total revenues of \$48,144,052.
- ❑ The City had \$24.6 million in expenses related to governmental activities; only \$9.1 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$24.3 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$24.2 million in revenues including \$465,726 in transfers in from other funds. The general fund had \$20.8 million in expenditures including \$3,397,422 in transfers out to other funds. The general fund's fund balance increased \$3,440,543 to \$12,833,599
- ❑ Net position for enterprise funds increased by \$5,323,782. The City refunded the Various Projects Sewer Bonds and in the process, reduced the outstanding debt by over \$1,000,000 by making a large one-time reduction in principal. There was also approximately an additional \$1,000,000 paid down on enterprise fund debt. The City of Perrysburg continues to experience steady growth, and is committed to keeping pace with the infrastructure needs of the steadily growing community.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of two parts – *management's discussion and analysis* and the *basic financial statements*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

CITY OF PERRYSBURG, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

Government-wide Statements

The government-wide statements report information about the City as a whole using accepted methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net-position (the difference between the City's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as property tax base, current property tax laws, conditions of the City's streets and continued growth within the City.

The government-wide financial statements of the City are divided into two categories:

- *Governmental Activities* – Most of the City's programs and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, transportation and general government.
- *Business-Type Activities* – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer, parking meter and utility collection services are reported as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

CITY OF PERRYSBURG, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Unaudited

Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of net position between 2017 and 2016:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$27,432,744	\$24,437,335	\$23,178,459	\$22,811,382	\$50,611,203	\$47,248,717
Capital assets, Net	104,422,314	96,360,592	84,879,250	81,680,135	189,301,564	178,040,727
Total assets	<u>131,855,058</u>	<u>120,797,927</u>	<u>108,057,709</u>	<u>104,491,517</u>	<u>239,912,767</u>	<u>225,289,444</u>
Deferred outflows of resources	<u>5,732,201</u>	<u>5,666,278</u>	<u>1,617,448</u>	<u>1,477,363</u>	<u>7,349,649</u>	<u>7,143,641</u>
Net pension liability	22,069,858	20,220,376	2,249,965	1,745,683	24,319,823	21,966,059
Other long-term liabilities	1,388,588	1,334,782	21,886,656	23,415,313	23,275,244	24,750,095
Other liabilities	1,977,849	1,439,503	2,835,958	3,306,175	4,813,807	4,745,678
Total liabilities	<u>25,436,295</u>	<u>22,994,661</u>	<u>26,972,579</u>	<u>28,467,171</u>	<u>52,408,874</u>	<u>51,461,832</u>
Deferred inflows of resources	<u>3,420,019</u>	<u>3,420,730</u>	<u>23,333</u>	<u>33,730</u>	<u>3,443,352</u>	<u>3,454,460</u>
Net position:						
Net investment in capital assets	104,422,314	96,360,592	60,825,586	55,652,406	165,247,900	152,012,998
Restricted	7,716,027	5,269,981	0	0	7,716,027	5,269,981
Unrestricted (Deficit)	<u>(3,407,396)</u>	<u>(1,581,759)</u>	<u>21,853,659</u>	<u>21,815,573</u>	<u>18,446,263</u>	<u>20,233,814</u>
Total net position	<u>\$108,730,945</u>	<u>\$100,048,814</u>	<u>\$82,679,245</u>	<u>\$77,467,979</u>	<u>\$191,410,190</u>	<u>\$177,516,793</u>

During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

CITY OF PERRYSBURG, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

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

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

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

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

CITY OF PERRYSBURG, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

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

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

At fiscal year-end for governmental activities, capital assets represented 79% of total assets. Capital assets include land, land improvements, infrastructure, buildings and improvements, machinery and equipment, and vehicles. Net investment in capital assets, at December 31, 2017 was \$104,422,314. These capital assets are used to provide services to the public and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$7,716,027, represents resources that are subject to external restriction on how they may be used. Excluding the effect of implementing GASB 68, the City has approximately \$13.1 million in unrestricted net position which may be used to meet the City's ongoing obligations to the public and creditors.

CITY OF PERRYSBURG, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2017

Unaudited

Changes in Net position – The following table shows the changes in net position for the fiscal year 2017 and 2016:

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for Services and Sales	\$2,603,051	\$2,341,734	\$14,262,491	\$15,192,117	\$16,865,542	\$17,533,851
Operating Grants and Contributions	1,649,630	1,450,251	0	0	1,649,630	1,450,251
Capital Grants and Contributions	4,841,979	1,526,288	460,838	225,236	5,302,817	1,751,524
Total Program Revenues	<u>9,094,660</u>	<u>5,318,273</u>	<u>14,723,329</u>	<u>15,417,353</u>	<u>23,817,989</u>	<u>20,735,626</u>
General revenues:						
Property Taxes	3,432,308	3,362,668	0	0	3,432,308	3,362,668
Income Taxes	18,723,076	18,062,470	0	0	18,723,076	18,062,470
Intergovernmental Revenues, Unrestricted	1,842,630	196,176	0	0	1,842,630	196,176
Investment Earnings	242,389	151,542	0	0	242,389	151,542
Miscellaneous	85,660	71,392	0	0	85,660	71,392
Total General Revenues	<u>24,326,063</u>	<u>21,844,248</u>	<u>0</u>	<u>0</u>	<u>24,326,063</u>	<u>21,844,248</u>
Total Revenues	<u>33,420,723</u>	<u>27,162,521</u>	<u>14,723,329</u>	<u>15,417,353</u>	<u>48,144,052</u>	<u>42,579,874</u>
Program Expenses:						
Security of Persons and Property	11,083,687	10,816,312	0	0	11,083,687	10,816,312
Public Health and Welfare Services	18,772	33,023	0	0	18,772	33,023
Leisure Time Activities	1,607,358	1,764,721	0	0	1,607,358	1,764,721
Community Development	1,222,924	887,484	0	0	1,222,924	887,484
Basic Utility Service	1,270,169	1,144,184	0	0	1,270,169	1,144,184
Transportation	3,448,654	5,355,162	0	0	3,448,654	5,355,162
General Government	5,967,106	5,888,249	0	0	5,967,106	5,888,249
Sewer	0	0	4,105,467	4,405,854	4,105,467	4,405,854
Water	0	0	5,526,518	5,258,220	5,526,518	5,258,220
Total Expenses	<u>24,618,670</u>	<u>25,889,135</u>	<u>9,631,985</u>	<u>9,664,074</u>	<u>34,250,655</u>	<u>35,553,209</u>
Change in Net Position before Transfers	8,802,053	1,273,386	5,091,344	5,753,279	13,893,397	7,026,665
Transfers	(119,922)	(307,945)	119,922	307,945	0	0
Total Change in Net Position	8,682,131	965,441	5,211,266	6,061,224	13,893,397	7,026,665
Beginning Net Position	100,048,814	99,083,373	77,467,979	71,406,755	177,516,793	170,490,128
Ending Net Position	<u>\$108,730,945</u>	<u>\$100,048,814</u>	<u>\$82,679,245</u>	<u>\$77,467,979</u>	<u>\$191,410,190</u>	<u>\$177,516,793</u>

CITY OF PERRYSBURG, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Unaudited

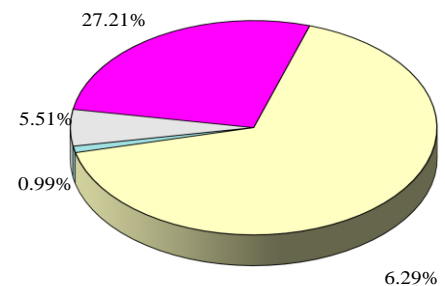
Governmental Activities

The net position of the City's governmental activities increased by \$8,682,131, which represents an 8.7% increase from to 2016. Much of this increase is related to an increase in capital grants and contributions of \$3.3 million and intergovernmental revenue of \$1.6 million. Additionally, the City saw a \$1.9 million reduction in transportation expenditures. There was also an increase in unrestricted cash balances from 2016 to 2017.

The City receives an income tax, which is based on 1.5% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work done or services performed or rendered in the City.

Property taxes and income taxes made up 10.27% and 56% respectively of revenues for governmental activities for the City in fiscal year 2017. The City's reliance upon tax revenues is demonstrated by the following graph indicating 66.29% of total revenues from general tax revenues:

Revenue Sources	2017	Percent of Total
Intergovernmental Revenues, Unrestricted	\$1,842,630	5.51%
Program Revenues	9,094,660	27.21%
General Tax Revenues	22,155,384	66.29%
General Other	328,049	0.99%
Total Revenue	<u>\$33,420,723</u>	<u>100.00%</u>



CITY OF PERRYSBURG, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

Business-Type Activities

Net position of the business-type activities increased by \$5,211,266. This is a reflection of year over year revenues exceeding operating expenditures. This excess revenue is used to finance large capital projects. Although there might not be large capital projects each year, there are numerous projects on the horizon for the City of Perrysburg.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$21,274,700, which is an increase from last year's balance of \$18,177,233. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2017 and 2016:

	Fund Balance <u>December 31, 2017</u>	Fund Balance <u>December 31, 2016</u>	Increase <u>(Decrease)</u>
General	\$12,833,599	\$9,393,056	\$3,440,543
Capital Improvements	1,813,170	2,668,670	(855,500)
Other Governmental	6,627,931	6,115,507	512,424
Total	<u>\$21,274,700</u>	<u>\$18,177,233</u>	<u>\$3,097,467</u>

CITY OF PERRYSBURG, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

General Fund – The City's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2017 Revenues	2016 Revenues	Increase (Decrease)
Taxes	\$19,776,721	\$19,109,173	\$667,548
Intergovernmental Revenue	894,053	681,739	212,314
Charges for Services	1,038,129	946,651	91,478
Fines, Licenses and Permits	1,195,315	1,222,555	(27,240)
Investment Earnings	221,106	141,715	79,391
Special Assessments	180,981	183,528	(2,547)
All Other Revenue	468,688	130,808	337,880
Total	\$23,774,993	\$22,416,169	\$1,358,824

General Fund revenues in 2017 increased by \$1,358,824 or 5.7% compared to revenues in fiscal year 2016. There were several factors affecting this total. The largest increase was realized in income tax revenue, which is simply a reflection of the economic growth the City is currently experiencing. The City also had a large increase in "All Other Revenues" This increase was due in large part to a refund on Worker's Compensation rates paid.

	2017 Expenditures	2016 Expenditures	Increase (Decrease)
Security of Persons and Property	\$8,480,424	\$8,188,393	\$292,031
Public Health and Welfare Services	18,772	33,023	(14,251)
Leisure Time Activities	1,626,510	1,541,242	85,268
Community Development	769,314	487,445	281,869
Transportation	1,759,979	1,727,627	32,352
General Government	4,747,755	5,009,715	(261,960)
Total	\$17,402,754	\$16,987,445	\$415,309

General Fund expenditures increased by \$415,309 or 2.4% from the prior year. The largest increase here is in Security of persons and property. This is generally to pay the costs of operating the Police and Fire Divisions. This is a modest increase, which generally reflects the increase in personnel costs. The other large increase is in Community Development. This increase reflects the expense of paying inspection fees relative to development in the City. While this is not the entire increase, that single expense accounted for an increase of \$216,758, which reflects the growth currently being experienced.

CITY OF PERRYSBURG, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2017 the City amended its General Fund budget several times, none significant.

For the General Fund, final budget basis revenue of \$23.8 million increased from the original budget estimates of \$21.7 million as a result of income tax revenues exceeding budgetary expectations by \$750,000 over the preliminary estimate. Property Taxes, Intergovernmental revenues, and Charges for Services, were also increased from their original estimates. The City continues with a conservative approach to budgeting. The City has taken a very cautious approach to the creation of new positions, and other on-going expenses.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2017 the City had \$189,301,564 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment and construction in progress. Of this total, \$104,422,314 was related to governmental activities and \$84,879,250 to the business-type activities. The following table shows fiscal year 2017 and 2016 balances:

	Governmental Activities		Increase (Decrease)
	2017	2016	
Land	\$10,449,238	\$10,449,238	\$0
Construction in Progress	12,059,709	9,609,755	2,449,954
Buildings	18,348,482	18,348,482	0
Improvements Other Than Buildings	7,925,403	7,894,628	30,775
Machinery and Equipment	14,575,858	13,604,985	970,873
Infrastructure	80,660,292	73,249,366	7,410,926
Less: Accumulated Depreciation	(39,596,668)	(36,795,862)	(2,800,806)
Totals	<u>\$104,422,314</u>	<u>\$96,360,592</u>	<u>\$8,061,722</u>

CITY OF PERRYSBURG, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2017**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2017	2016	
Land	\$273,383	\$273,383	\$0
Construction in Progress	23,374,335	31,701,621	(8,327,286)
Buildings	16,960,074	12,760,825	4,199,249
Improvements Other Than Buildings	67,233,158	58,724,733	8,508,425
Machinery and Equipment	13,688,887	13,317,003	371,884
Less: Accumulated Depreciation	(36,650,587)	(35,097,430)	(1,553,157)
Totals	\$84,879,250	\$81,680,135	\$3,199,115

The primary increase in the business-type capital assets occurred in improvements other than buildings. This reflects several projects that were converted from CIP to finished projects. There is a corresponding negative amount in CIP. The large increase in Buildings is reflective of the final improvements to the Wastewater Treatment Plant. Additional information on the City's capital assets can be found in Note 10.

Debt

The following table summarizes the City's debt outstanding as of December 31, 2017 and 2016:

	2017	2016
Governmental Activities:		
Compensated Absences	\$1,388,588	\$1,334,782
Net Pension Liability	22,069,858	20,220,376
Total Governmental Activities	23,458,446	21,555,158
Business-Type Activities:		
General Obligation Notes	2,300,000	2,725,000
OWDA Loans Payable	12,837,622	13,609,083
General Obligation Bonds	8,916,042	9,693,646
Compensated Absences	132,992	112,584
Net Pension Liability	2,249,965	1,745,683
Total Business-Type Activities	26,436,621	27,885,996
Totals	\$49,895,067	\$49,441,154

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which Perrysburg lies, is limited to ten mills. At December 31, 2017, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Notes 14 and 15.

CITY OF PERRYSBURG, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

ECONOMIC FACTORS

The City of Perrysburg continues to be a vibrant, growing community. Business and industry have established offices and plants in the City due in part, to its proximity to major east/west and north/south highways as well as major rail and airport access. The City has also partnered well with the private sector, as evidenced by relocation of the Owens-Illinois World headquarters and the 2005 opening of the Levis Commons Towne Center, 400 acre, open air lifestyle shopping center. This trend continued in 2015/2016 with the opening of the Costco market and the Mercy Health Partners Emergency Care and Cancer Treatment Centers. Mercy Health Partners has announced plans to construct a 115,000 square foot medical treatment facility in 2018, which is currently under construction.

The City uses many economic development tools to encourage economic growth. The City currently has a JEDZ with the City of Toledo, a TIF within the area of the Owens-Illinois /Levis Towne Center, and multiple Community Reinvestment Areas (CRA) Enterprise Zones. (EZ) These tools have been used judiciously to encourage specific industries which provide the types of employment that mesh with the existing development in the City. As a means of fostering business growth without sacrificing school district revenues through tax abatement, the City initiated in 2005, a Job Creation and Retention Grant program. The Program rebates 1/3 of annual withholdings for a period of 5 years. Businesses must meet certain job creation and payroll criteria to be eligible for the program.

Some of the largest employers in the City of Perrysburg include: Owens Illinois, Owens Brockway, First Solar, Master Chemical Corp., Pro Medica Physicians Group, Fiat-Chrysler, and Perrysburg Schools.

The City of Perrysburg has taken a conservative approach to budgeting for the many years. Income tax collections have shown a trend of steady growth for the past 20+ years. Income tax collections increased by approximately 2.8% over 2016. These figures reflect a continued trend by the City of Perrysburg to fare relatively better than the lagging regional economy. Perrysburg continues to be a thriving community, experiencing growth in both residential and commercial construction. The City continues to be vigilant in containing its operational costs. The City was able to eliminate all of its General Fund debt in 2011. In 2018, the City will be completing construction of a new Fire Station, and will take on general Fund debt for the first time in several years. This is being done to support the growth of the community. With the growth that the City has experienced, and the corresponding services required to support that growth, the City has been able to maintain personnel costs near a goal of 60% of total revenues.

The City of Perrysburg has continued to reduce the balance of all its debt. The City has achieved its goal of eliminating all General Fund debt, and to establish a reserve balance account to strengthen the City's financial position going forward. The City began funding the Reserve Balance Fund in 2012 and continued funding into 2017. Perrysburg continues to be a growing, vital community. Utilizing annexation and economic development tools, the City has been able to shift much of its tax burden away from residents and over to business/commercial taxpayers. The City continues to experience significant growth in both the commercial and residential sectors. It is the City's goal to achieve a balance between the types of taxpayers who support City services, and the City has made great strides to this extent. The City has also realized significant income tax collections from non-resident companies whose employees live in the City. Through mandatory filing and courtesy withholdings, the City has been able to share in the successes of companies, which would otherwise have no effect on the City. In this way, the City has been able to take advantage of the successes of the region, and not just within the City boundaries.

The financial outlook for the City remains strong. With a renewed focus on economic development, several potential projects are on the horizon. The City has recently completed several large projects related to its water and sewer facilities to provide required services for this growth. Given all of these factors, the City of Perrysburg is well-positioned for the future.

CITY OF PERRYSBURG, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2017***

Unaudited

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Finance Department by calling 419-872-8030 or writing to City of Perrysburg Finance Department, 201 West Indiana Avenue, Perrysburg, Ohio 43551.

CITY OF PERRYSBURG, OHIO

Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 9,738,985	\$ 15,936,934	\$ 25,675,919
Investments	9,143,727	3,293,918	12,437,645
Receivables:			
Taxes	5,677,189	0	5,677,189
Accounts	320,060	3,511,249	3,831,309
Intergovernmental	1,116,718	0	1,116,718
Interest	45,086	0	45,086
Special Assessments	241,717	284,902	526,619
Loans	223,631	0	223,631
Internal Balances	67,674	(67,674)	0
Inventory of Supplies at Cost	123,521	185,676	309,197
Prepaid Items	138,024	33,454	171,478
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	596,412	0	596,412
Capital Assets:			
Capital Assets Not Being Depreciated	22,508,947	23,647,718	46,156,665
Capital Assets Being Depreciated, Net	81,913,367	61,231,532	143,144,899
Total Assets	131,855,058	108,057,709	239,912,767
Deferred Outflows of Resources:			
Deferred Loss on Debt Refunding	0	736,115	736,115
Deferred Pension Amounts	5,732,201	881,333	6,613,534
Total Deferred Outflows of Resources	5,732,201	1,617,448	7,349,649
Liabilities:			
Accounts Payable	1,268,270	361,230	1,629,500
Accrued Wages and Benefits	709,579	84,654	794,233
Intergovernmental Payable	0	67,690	67,690
Accrued Interest Payable	0	22,384	22,384
General Obligation Notes Payable	0	2,300,000	2,300,000
Long-Term Liabilities:			
Due Within One Year	499,909	1,393,847	1,893,756
Due in More Than One Year	888,679	20,492,809	21,381,488
Net Pension Liability	22,069,858	2,249,965	24,319,823
Total Liabilities	25,436,295	26,972,579	52,408,874
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	3,277,271	0	3,277,271
Deferred Pension Amounts	142,748	23,333	166,081
Total Deferred Inflows of Resources	3,420,019	23,333	3,443,352

CITY OF PERRYSBURG, OHIO

	Governmental Activities	Business-Type Activities	Total
Net Position:			
Net Investment in Capital Assets	104,422,314	60,825,586	165,247,900
Restricted For:			
Street Construction, Maintenance and Repair	1,647,401	0	1,647,401
State Highway Improvement	558,981	0	558,981
Police Pension	860,118	0	860,118
Garbage and Refuse	5,195	0	5,195
Public Transportation	107,887	0	107,887
Other Purposes	4,536,445	0	4,536,445
Unrestricted (Deficit)	(3,407,396)	21,853,659	18,446,263
Total Net Position	\$ 108,730,945	\$ 82,679,245	\$ 191,410,190

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

Statement of Activities
For the Year Ended December 31, 2017

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Current:				
Security of Persons and Property	\$ 11,083,687	\$ 538,837	\$ 213,784	\$ 182,387
Public Health and Welfare Services	18,772	0	0	0
Leisure Time Activities	1,607,358	180,674	0	0
Community Development	1,222,924	560,162	0	50,651
Basic Utility Services	1,270,169	6,459	20,623	0
Transportation	3,448,654	13,904	1,415,223	4,608,941
General Government	5,967,106	1,303,015	0	0
Total Governmental Activities	<u>24,618,670</u>	<u>2,603,051</u>	<u>1,649,630</u>	<u>4,841,979</u>
Business-Type Activities:				
Sewer	4,105,467	8,167,434	0	268,918
Water	5,526,518	6,095,057	0	191,920
Total Business-Type Activities	<u>9,631,985</u>	<u>14,262,491</u>	<u>0</u>	<u>460,838</u>
Totals	<u>\$ 34,250,655</u>	<u>\$ 16,865,542</u>	<u>\$ 1,649,630</u>	<u>\$ 5,302,817</u>

General Revenues

Property Taxes
Municipal Income Taxes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Miscellaneous
Transfers
Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year
Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (10,148,679)	\$ 0	\$ (10,148,679)
(18,772)	0	(18,772)
(1,426,684)	0	(1,426,684)
(612,111)	0	(612,111)
(1,243,087)	0	(1,243,087)
2,589,414	0	2,589,414
(4,664,091)	0	(4,664,091)
<u>(15,524,010)</u>	<u>0</u>	<u>(15,524,010)</u>
0	4,330,885	4,330,885
0	760,459	760,459
<u>0</u>	<u>5,091,344</u>	<u>5,091,344</u>
<u>(15,524,010)</u>	<u>5,091,344</u>	<u>(10,432,666)</u>
3,432,308	0	3,432,308
18,723,076	0	18,723,076
1,842,630	0	1,842,630
242,389	0	242,389
85,660	0	85,660
(119,922)	119,922	0
<u>24,206,141</u>	<u>119,922</u>	<u>24,326,063</u>
8,682,131	5,211,266	13,893,397
<u>100,048,814</u>	<u>77,467,979</u>	<u>177,516,793</u>
<u>\$ 108,730,945</u>	<u>\$ 82,679,245</u>	<u>\$ 191,410,190</u>

CITY OF PERRYSBURG, OHIO

**Balance Sheet
Governmental Funds
December 31, 2017**

	General	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Cash and Cash Equivalents	\$ 4,284,550	\$ 1,088,781	\$ 4,363,748	\$ 9,737,079
Investments	6,108,896	1,589,157	1,445,674	9,143,727
Receivables:				
Taxes	3,348,014	0	2,329,175	5,677,189
Accounts	319,817	0	4	319,821
Intergovernmental	324,751	0	791,967	1,116,718
Interest	45,086	0	0	45,086
Special Assessments	189,341	0	52,376	241,717
Loans	0	0	223,631	223,631
Interfund Loans Receivables	400,000	0	0	400,000
Inventory of Supplies, at Cost	0	0	123,521	123,521
Prepaid Items	119,933	583	17,508	138,024
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	0	0	596,412	596,412
Total Assets	\$ 15,140,388	\$ 2,678,521	\$ 9,944,016	\$ 27,762,925
Liabilities:				
Accounts Payable	144,264	865,351	258,655	1,268,270
Accrued Wages and Benefits Payable	486,452	0	144,148	630,600
Total Liabilities	630,716	865,351	402,803	1,898,870
Deferred Inflows of Resources:				
Unavailable Amounts	682,037	0	630,047	1,312,084
Property Tax for Next Fiscal Year	994,036	0	2,283,235	3,277,271
Total Deferred Inflows of Resources	1,676,073	0	2,913,282	4,589,355
Fund Balances:				
Nonspendable	119,933	583	141,029	261,545
Restricted	0	0	5,440,044	5,440,044
Committed	0	1,812,587	785,395	2,597,982
Assigned	5,777,628	0	261,463	6,039,091
Unassigned	6,936,038	0	0	6,936,038
Total Fund Balances	12,833,599	1,813,170	6,627,931	21,274,700
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 15,140,388	\$ 2,678,521	\$ 9,944,016	\$ 27,762,925

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

Reconciliation Of Total Governmental Fund Balances To Net Position Of Governmental Activities December 31, 2017

Total Governmental Fund Balances \$ 21,274,700

***Amounts reported for governmental activities in the
statement of net position are different because***

Capital Assets used in governmental activities are not resources and therefore are not reported in the funds. 104,422,314

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Income Taxes	192,049	
Property Taxes	67,268	
Interest	45,086	
Intergovernmental	765,964	
Special Assessments	241,717	1,312,084

The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	5,732,201	
Deferred Inflows - Pension	(142,748)	
Net Pension Liability	(22,069,858)	(16,480,405)

Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. (409,160)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Compensated Absences Payable	(1,388,588)	
------------------------------	-------------	--

Net Position of Governmental Activities **\$ 108,730,945**

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2017

	General	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 1,048,100	\$ 0	\$ 2,387,317	\$ 3,435,417
Municipal Income Tax	18,728,621	0	0	18,728,621
Intergovernmental Revenues	894,053	240,000	2,066,518	3,200,571
Charges for Services	1,038,129	0	14,809	1,052,938
Licenses and Permits	496,678	0	13,781	510,459
Investment Earnings	221,106	0	14,628	235,734
Special Assessments	180,981	0	51,343	232,324
Fines and Forfeitures	698,637	0	190,552	889,189
All Other Revenue	468,688	49,487	210,156	728,331
Total Revenue	<u>23,774,993</u>	<u>289,487</u>	<u>4,949,104</u>	<u>29,013,584</u>
Expenditures:				
Current:				
Security of Persons and Property	8,480,424	0	1,080,268	9,560,692
Public Health and Welfare Services	18,772	0	0	18,772
Leisure Time Activities	1,626,510	0	0	1,626,510
Community Development	769,314	0	358,154	1,127,468
Basic Utility Services	0	0	1,089,518	1,089,518
Transportation	1,759,979	0	1,492,654	3,252,633
General Government	4,747,755	0	408,693	5,156,448
Capital Outlay	0	3,184,987	839,341	4,024,328
Total Expenditures	<u>17,402,754</u>	<u>3,184,987</u>	<u>5,268,628</u>	<u>25,856,369</u>
Excess (Deficiency) of Revenues Over Expenditures	6,372,239	(2,895,500)	(319,524)	3,157,215
Other Financing Sources (Uses):				
Transfers In	465,726	2,040,000	1,237,500	3,743,226
Transfers Out	(3,397,422)	0	(465,726)	(3,863,148)
Total Other Financing Sources (Uses)	<u>(2,931,696)</u>	<u>2,040,000</u>	<u>771,774</u>	<u>(119,922)</u>
Net Change in Fund Balances	3,440,543	(855,500)	452,250	3,037,293
Fund Balances at Beginning of Year	9,393,056	2,668,670	6,115,507	18,177,233
Increase in Inventory Reserve	0	0	60,174	60,174
Fund Balances End of Year	<u>\$ 12,833,599</u>	<u>\$ 1,813,170</u>	<u>\$ 6,627,931</u>	<u>\$ 21,274,700</u>

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

Reconciliation Of The Statement Of Revenues, Expenditures And Changes In Fund Balances Of Governmental Funds To The Statement Of Activities For The Year Ended December 31, 2017

Net Change in Fund Balances - Total Governmental Funds \$ 3,037,293

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	6,837,884	
Depreciation	(3,141,369)	3,696,515

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received.

(3,734)

Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.

4,368,941

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income Taxes	(5,545)	
Property Taxes	(3,109)	
Interest	6,655	
Intergovernmental	44,357	
Special Assessments	(4,160)	38,198

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

1,692,438

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.

(3,458,531)

Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in Supplies Inventory	60,174	
Increase in Compensated Absences Payable	(53,806)	6,368

The internal service funds are used by management to charge the costs of services to individual funds and is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.

(695,357)

Change in Net Position of Governmental Activities

\$ 8,682,131

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2017**

	Business-Type Activities		
	Enterprise Funds		
	Sewer	Water	Nonmajor Enterprise
Assets:			
<i>Current Assets:</i>			
Cash and Cash Equivalents	\$ 13,623,678	\$ 2,256,768	\$ 56,488
Investments	0	3,293,918	0
Receivables:			
Accounts	1,647,693	1,863,556	0
Special Assessments	266,823	18,079	0
Inventory of Supplies at Cost	1,430	184,246	0
Prepaid Items	20,546	12,908	0
<i>Total Current Assets</i>	<u>15,560,170</u>	<u>7,629,475</u>	<u>56,488</u>
<i>Non Current Assets:</i>			
Capital Assets:			
Capital Assets Not Being Depreciated	22,986,405	661,313	0
Capital Assets Being Depreciated, Net	44,985,141	16,246,391	0
<i>Total Non Current Assets</i>	<u>67,971,546</u>	<u>16,907,704</u>	<u>0</u>
Total Assets	<u>83,531,716</u>	<u>24,537,179</u>	<u>56,488</u>
Deferred Outflows of Resources:			
Deferred Loss on Debt Refunding	736,115	0	0
Deferred Pension Amounts	588,406	292,927	0
<i>Total Deferred Outflows of Resources</i>	<u>1,324,521</u>	<u>292,927</u>	<u>0</u>
Liabilities:			
<i>Current Liabilities:</i>			
Accounts Payable	252,640	108,590	0
Accrued Wages and Benefits	54,205	30,449	0
Intergovernmental Payable	0	0	67,690
Interfund Loans Payable	0	0	0
Accrued Interest Payable	16,442	5,942	0
General Obligation Notes Payable	0	2,300,000	0
Compensated Absences Payable - Current	47,695	19,846	0
General Obligation Bonds - Current	797,604	0	0
OWDA Loans - Current	528,702	0	0
<i>Total Current Liabilities</i>	<u>1,697,288</u>	<u>2,464,827</u>	<u>67,690</u>

CITY OF PERRYSBURG, OHIO

Total	Internal Service Funds
\$ 15,936,934	\$ 1,906
3,293,918	0
3,511,249	239
284,902	0
185,676	0
33,454	0
23,246,133	2,145
23,647,718	0
61,231,532	0
84,879,250	0
108,125,383	2,145
736,115	0
881,333	0
1,617,448	0
361,230	0
84,654	78,979
67,690	0
0	400,000
22,384	0
2,300,000	0
67,541	0
797,604	0
528,702	0
4,229,805	478,979

(Continued)

CITY OF PERRYSBURG, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2017**

	Business-Type Activities		
	Enterprise Funds		
	Sewer	Water	Nonmajor Enterprise
<i>Long Term Liabilities:</i>			
Compensated Absences Payable	54,044	11,407	0
Net Pension Liability	1,502,149	747,816	0
General Obligation Bonds Payable	8,118,438	0	0
OWDA Loans Payable	12,308,920	0	0
<i>Total Long-Term Liabilities</i>	<u>21,983,551</u>	<u>759,223</u>	<u>0</u>
Total Liabilities	<u>23,680,839</u>	<u>3,224,050</u>	<u>67,690</u>
 Deferred Inflows of Resources:			
Deferred Pension Amounts	<u>15,577</u>	<u>7,756</u>	<u>0</u>
 Net Position:			
Net Investment in Capital Assets	46,217,882	14,607,704	0
Unrestricted (deficit)	<u>14,941,939</u>	<u>6,990,596</u>	<u>(11,202)</u>
Total Net Position	<u>\$ 61,159,821</u>	<u>\$ 21,598,300</u>	<u>\$ (11,202)</u>

Adjustment to reflect the consolidation of internal
service fund activities related to the enterprise funds.
Net Position of Business-type Activities

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

<u>Total</u>	<u>Internal Service Funds</u>
65,451	0
2,249,965	0
8,118,438	0
<u>12,308,920</u>	<u>0</u>
<u>22,742,774</u>	<u>0</u>
<u>26,972,579</u>	<u>478,979</u>
<u>23,333</u>	<u>0</u>
60,825,586	0
<u>21,921,333</u>	<u>(476,834)</u>
<u>82,746,919</u>	<u>\$ (476,834)</u>
<u>(67,674)</u>	
<u>\$ 82,679,245</u>	

CITY OF PERRYSBURG, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activities		
	Enterprise Funds		
	Sewer	Water	Nonmajor Enterprise
Operating Revenues:			
Charges for Services	\$ 7,908,170	\$ 6,095,057	\$ 0
Other Operating Revenue	259,264	0	0
Total Operating Revenues	<u>8,167,434</u>	<u>6,095,057</u>	<u>0</u>
Operating Expenses:			
Personal Services	1,691,176	788,444	0
Contractual Services	646,722	3,965,953	0
Materials and Supplies	244,315	178,417	0
Depreciation	1,030,816	522,341	0
Total Operating Expenses	<u>3,613,029</u>	<u>5,455,155</u>	<u>0</u>
Operating Income (Loss)	4,554,405	639,902	0
Nonoperating Revenue (Expenses):			
Investment Earnings	0	0	0
Interest Expense	(408,041)	(42,081)	0
Loss on Disposal of Capital Assets	0	(1,163)	0
Total Nonoperating Revenues (Expenses)	<u>(408,041)</u>	<u>(43,244)</u>	<u>0</u>
Income (Loss) Before Transfers and Contributions	4,146,364	596,658	0
Transfers In	119,922	0	0
Capital Contributions	268,918	191,920	0
Total Transfers and Contributions	<u>388,840</u>	<u>191,920</u>	<u>0</u>
Change in Net Position	4,535,204	788,578	0
Net Position (Deficit) Beginning of Year	56,624,617	20,809,722	(11,202)
Net Position (Deficit) End of Year	<u>\$ 61,159,821</u>	<u>\$ 21,598,300</u>	<u>\$ (11,202)</u>

Change in Net Position - Total Enterprise Funds

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

Change in Net Position - Business-type Activities

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

<u>Total</u>	<u>Governmental Activities - Internal Service Funds</u>
\$ 14,003,227	\$ 1,856,521
259,264	0
14,262,491	1,856,521
2,479,620	2,628,209
4,612,675	4,274
422,732	33,145
1,553,157	0
9,068,184	2,665,628
5,194,307	(809,107)
0	1,234
(450,122)	0
(1,163)	0
(451,285)	1,234
4,743,022	(807,873)
119,922	0
460,838	0
580,760	0
5,323,782	(807,873)
77,423,137	331,039
82,746,919	\$ (476,834)
5,323,782	
(112,516)	
\$ 5,211,266	

CITY OF PERRYSBURG, OHIO

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Business-Type Activities		
	Enterprise Funds		
	Sewer	Water	Nonmajor Enterprise
Cash Flows from Operating Activities:			
Cash Received from Customers	\$8,186,167	\$5,834,524	\$1,314,956
Cash Payments for Goods and Services	(963,447)	(4,082,790)	(1,315,298)
Cash Payments to Employees	(1,467,266)	(692,729)	0
Net Cash Provided (Used) for Operating Activities	<u>5,755,454</u>	<u>1,059,005</u>	<u>(342)</u>
Cash Flows from Noncapital Financing Activities:			
Transfers In from Other Funds	119,922	0	0
Advances In from Other Funds	0	0	0
Net Cash Provided by Noncapital Financing Activities	<u>119,922</u>	<u>0</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities:			
Acquisition and Construction of Assets	(3,780,400)	(491,768)	0
General Obligation Notes Issued	0	2,300,000	0
Principal Paid on General Obligation Notes	0	(2,725,000)	0
Principal Paid on General Obligation Bonds	(770,000)	0	0
Principal Paid on Ohio Water Development Authority Loans	(771,461)	0	0
Interest Paid on All Debt	(343,941)	(40,832)	0
Net Cash Used for Capital and Related Financing Activities	<u>(5,665,802)</u>	<u>(957,600)</u>	<u>0</u>
Cash Flows from Investing Activities:			
Receipts of Interest	0	0	0
Sale of Investments	0	801,033	0
Net Cash Provided by Investing Activities	<u>0</u>	<u>801,033</u>	<u>0</u>
Net Increase (Decrease) in Cash and Cash Equivalents	209,574	902,438	(342)
Cash and Cash Equivalents at Beginning of Year	<u>13,414,104</u>	<u>1,354,330</u>	<u>56,830</u>
Cash and Cash Equivalents at End of Year	<u>\$13,623,678</u>	<u>\$2,256,768</u>	<u>\$56,488</u>

CITY OF PERRYSBURG, OHIO

	Governmental Activities
Totals	Internal Service Funds
\$15,335,647	\$1,856,282
(6,361,535)	(37,419)
(2,159,995)	(2,653,539)
6,814,117	(834,676)
119,922	0
0	400,000
119,922	400,000
(4,272,168)	0
2,300,000	0
(2,725,000)	0
(770,000)	0
(771,461)	0
(384,773)	0
(6,623,402)	0
0	1,234
801,033	326,894
801,033	328,128
1,111,670	(106,548)
14,825,264	108,454
\$15,936,934	\$1,906

(Continued)

CITY OF PERRYSBURG, OHIO

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2017

	Business-Type Activities		
	Enterprise Funds		
	Sewer	Water	Nonmajor Enterprise
Reconciliation of Operating Income (Loss) to Net Cash			
<u>Provided (Used) for Operating Activities:</u>			
Operating Income (Loss)	\$4,554,405	\$639,902	\$0
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) for Operating Activities:			
Depreciation Expense	1,030,816	522,341	0
Changes in Assets and Liabilities:			
Increase in Accounts Receivable	(15,120)	(279,618)	0
Decrease (Increase) in Special Assessments Receivable	33,227	(7,155)	0
Decrease in Inventory	638	101,309	0
Decrease (Increase) in Prepaid Items	(4,036)	1,799	0
Increase in Deferred Outflows of Resources	(141,350)	(72,347)	0
Decrease in Accounts Payable	(68,223)	(15,155)	0
Decrease in Intergovernmental Payables	0	0	(342)
Increase (Decrease) in Accrued Wages and Benefits	23,091	(4,358)	0
Increase in Net Pension Liability	333,220	171,062	0
Decrease in Deferred Inflows of Resources	(7,009)	(3,388)	0
Increase in Compensated Absences	15,795	4,613	0
Total Adjustments	1,201,049	419,103	(342)
Net Cash Provided (Used) for Operating Activities	\$5,755,454	\$1,059,005	(\$342)

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2017, the Sewer Fund and Water Fund had outstanding liabilities of \$189,284 and \$4,146, respectively for the purchase of certain capital assets.

During 2017, the Sewer and Water Funds received \$268,918 and \$191,920, respectively of capital contributions from other sources.

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

Totals	Governmental Activities Internal Service Funds
\$5,194,307	(\$809,107)
1,553,157	0
(294,738)	(239)
26,072	0
101,947	0
(2,237)	0
(213,697)	0
(83,378)	0
(342)	0
18,733	(25,330)
504,282	0
(10,397)	0
20,408	0
<u>1,619,810</u>	<u>(25,569)</u>
<u>\$6,814,117</u>	<u>(\$834,676)</u>

CITY OF PERRYSBURG, OHIO

***Statement of Assets and Liabilities
Fiduciary Funds
December 31, 2017***

	<u>Agency</u>
Assets:	
Cash and Cash Equivalents	\$ 223,710
Receivables:	
Taxes	173,772
Intergovernmental	15,903
Special Assessments	850,200
Payments in Lieu of Taxes	<u>2,695,325</u>
Total Assets	<u>\$ 3,958,910</u>
Liabilities:	
Intergovernmental Payable	\$ 2,965,773
Due to Others	<u>993,137</u>
Total Liabilities	<u>\$ 3,958,910</u>

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Perrysburg, Ohio (the "City") was incorporated in 1816 under the laws of the State of Ohio. The City operates under its own Charter. The current Charter, which provides for a Mayor/Council form of government, was adopted in 1960 and has been amended several times, most recently in 2008.

A. Reporting Entity

The accompanying basic financial statements of the City present the financial position of the various fund types and, the results of operations of the various fund types and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2017 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB Statement No. 61 "*The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34*," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which includes the following services: public safety, highways and streets, water, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services. In addition, the City maintains water, sewer and utility collections operations which are reported as enterprise funds.

The accounting policies and financial reporting practices of the City conform to GAAP as applicable to governmental units. The following is a summary of its significant accounting policies.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds

Governmental Funds - Governmental funds are those funds through which most governmental functions are typically financed. Governmental funds are reported using the flow of current financial resources measurement focus. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities and deferred inflows of resources (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

General Fund – This fund is used to account for all financial resources except those 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 limitations of the City Charter.

Capital Improvements Fund - This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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

Proprietary Funds

All proprietary funds are reported using the flow of "economic resources" measurement focus. This measurement focus provides that 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. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise funds are:

Water Fund – This fund is used to account for the operation of the City's water service.

Sewer Fund – This fund is used to account for the operation of the City's sanitary sewer service.

The nonmajor enterprise fund of the City is used to account for utility collections.

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City has two internal service funds, the Employees Health and Welfare Fund, which is used to account for monies received from city departments to cover the cost of health care for employees of the City's departments and the Postage Meter Fund, which is used to account for postage used by the various City departments.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations or other governments and therefore not available to support the City's own programs. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operation. These funds operate on a full accrual basis of accounting. The City has seven agency funds. These funds are used to account for monies received by the City in situations where the City's role is purely custodial in nature. The seven funds are the Municipal Court Fund, which accounts for monies that flow through the municipal court office, the Right of Way Repairs Fund, which accounts for funds deposited by anyone doing excavation work in a City right-of-way, the Unclaimed Monies Fund which accounts for unclaimed monies, the State Highway Patrol Transfer Fund, which accounts for funds related to fines levied by the State Highway Patrol and used for the County Law Library, the Municipal Public Improvement TIF Fund, which is used to account for TIF funds collected and shared by the developer, Perrysburg Schools and the Penta County Vocational Schools, the JT Cemetery RE Tax Fund, which is used to account for funds collected on behalf of the Union Cemetery and the Levis Commons/Preston Place Fund, which is used to collect special assessments for a third party.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The internal service funds are eliminated to avoid “doubling up” revenues and expenses; however, the interfund services provided and used are not eliminated in the process of consolidation.

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund 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 statements for governmental funds.

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

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this 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 statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due.

Revenues resulting from exchange transactions in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenues considered susceptible to accrual at year end include income taxes withheld by employers, interest on investments, and state levied locally shared taxes (including motor vehicle license fees, and local government assistance). Other revenues, including licenses, permits, certain charges for services, income taxes other than those withheld by employers and miscellaneous revenues are recorded as revenue when received in cash because generally these revenues are not measurable until received.

Special assessment installments, which are measurable, but not available at December 31, are recorded as deferred inflow of resources – unavailable amount. Property taxes measurable as of December 31, 2017, but which are not intended to finance 2017 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflow of resources as further described in Note 6.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and fiduciary funds. Revenues are recognized when they are earned and expenses recognized when incurred.

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deferred Inflows/Outflows 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, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenses/expenditures) until then. For the City, deferred outflows of resources have been reported for the following items related to the City's net pension liability/asset: (1) net difference between projected and actual investment earnings on pension plan investments, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between the City's contributions and the City's proportionate share of contributions. The City's deferred outflows of resources related to pension are further discussed in Note 11. The City also reports deferred outflows related to the deferred loss on debt refunding.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City also reports deferred inflows of resources for the differences between expected and actual experience related to the City's net pension liability/asset. This deferred inflows of resources are only reported on the government-wide statement of net position and in the proprietary funds financial statements. The deferred inflows of resources related to pension are further discussed in Note 11.

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits. The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. See Note 5, "Cash, Cash Equivalents and Investments."

For purposes of the statement of cash flows and for the presentation on the statement of net position, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", the City records all its investments at fair value except for nonparticipating investment contracts (repurchase agreements) which are reported at cost. See Note 5, "Cash, Cash Equivalents and Investments."

H. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2017, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements. All infrastructure acquired prior to the implementation of GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”, has been reported.

Contributed capital assets are recorded at fair market value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment – Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Position and in the respective proprietary funds.

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Buildings	30 - 40
Improvements other than Buildings	50
Infrastructure	10-50
Machinery and Equipment	5 - 15

CITY OF PERRYSBURG, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
General Obligation Bond	Sewer Fund
Ohio Water Development Authority Loans	Sewer Fund
Compensated Absences	General Fund Income Tax Fund Litter Control Fund Water Fund Sewer Fund
Pension Liabilities	General Fund Water Fund Sewer Fund

L. Compensated Absences

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement is accrued to the extent that it is considered probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees expected to become eligible to receive such payments in the future.

For governmental funds, that portion of unpaid compensated absences that has matured and is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Net Position

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

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

N. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City's highest level of decision making authority. For the City, these constraints consist of ordinances and resolutions passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance, resolution) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Fund Balances (Continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

O. Pensions

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

P. Interfund Activity

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

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. In addition, interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements. Only transfers between governmental activities and business-type activities are reported on the statement of activities.

Q. Estimates

The preparation of financial statements in conformity with GAAP 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.

R. Restricted Assets

Cash with fiscal agent amounts are classified as restricted assets on the balance sheet because these funds are being held for specified purposes.

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

S. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution, wastewater collection and treatment, maintenance of storm water collection systems and collection of solid waste refuse. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

T. Contributions of Capital

Contributions of capital in proprietary fund financial statements and for governmental activities arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements and on the statement of activities.

U. Fair Value

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

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLES

For fiscal year 2017, the City has implemented GASB Statement No. 74, “Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”, GASB Statement No. 80 “Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14”, GASB Statement No. 81, “Irrevocable Split-Interest Agreements”, and GASB Statement No. 82, “Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73.”

GASB Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The implementation of GASB Statement No. 74 did not have an effect on the financial statements of the City.

GASB Statement No. 80 improves financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

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

GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The implementation of GASB Statement No. 82 did not have an effect on the financial statements of the City.

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficits - The accumulated deficits at December 31, 2017 of \$11,202 in the Utility Collection Fund (nonmajor enterprise fund), arose from the recognition of expenses on the accrual basis of accounting which are greater than expenses on the cash basis of accounting. Deficits do not exist under the budgetary/cash basis of accounting. The general fund provides transfers when cash is required, not when accruals occur.

NOTE 4 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General Fund	Capital Improvements Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Supplies Inventory	\$0	\$0	\$123,521	\$123,521
Prepaid Items	119,933	583	17,508	138,024
Total Nonspendable	<u>119,933</u>	<u>583</u>	<u>141,029</u>	<u>261,545</u>
Restricted:				
Hotel/Motel Tax	0	0	52,567	52,567
Street Construction and Maintenance	0	0	1,320,491	1,320,491
State Highway Improvements	0	0	533,980	533,980
Police Pension	0	0	788,161	788,161
Garbage and Refuse	0	0	15,452	15,452
Motor Vehicle License Tax	0	0	687,592	687,592
ASR Radio	0	0	23,567	23,567
Street Trees	0	0	240,532	240,532
Public Transportation	0	0	74,183	74,183
Municipal Court Computer	0	0	313,093	313,093
Municipal Court Probation Services	0	0	61,043	61,043
CDBG Revolving Loan	0	0	820,043	820,043
Defendants Trust	0	0	36,749	36,749
DUI Indigent Drivers Alcohol Treatment	0	0	282,157	282,157
Indigent Drivers	0	0	190,434	190,434
Total Restricted	<u>0</u>	<u>0</u>	<u>5,440,044</u>	<u>5,440,044</u>
Committed:				
Capital Improvements	0	1,812,587	0	1,812,587
Parkland Acquisition and Development	0	0	785,395	785,395
Total Committed	<u>0</u>	<u>1,812,587</u>	<u>785,395</u>	<u>2,597,982</u>
Assigned				
Encumbrances for Purchase Orders	171,709	0	0	171,709
Budget Resource	5,605,919	0	0	5,605,919
Debt Service	0	0	261,463	261,463
Total Assigned	<u>5,777,628</u>	<u>0</u>	<u>261,463</u>	<u>6,039,091</u>
Unassigned	6,936,038	0	0	6,936,038
Total Fund Balances	<u>\$12,833,599</u>	<u>\$1,813,170</u>	<u>\$6,627,931</u>	<u>\$21,274,700</u>

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds.

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 "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 no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but 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).

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's policy is to place deposits with major local banks.

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

At year end the carrying amount of the City's deposits was \$26,496,041 and the bank balance was \$27,878,919. Federal depository insurance covered \$15,686,243 of the bank balance and \$12,192,676 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City's name and securities held in the Ohio Pooled Collateral System.

B. Investments

The City's investments at December 31, 2017 are summarized below:

	Fair Value	Credit Rating	Fair Value Hierarchy	Investment	
				less than 1	Maturities (in Years) 1-3
Negotiable CD's	\$8,099,623	N/A	Level 1	\$6,250,840	\$1,848,783
FNMA	996,904	AA+ ¹ / Aaa ²	Level 2	996,904	0
Freddie MAC	499,745	AA+ ¹ / Aaa ²	Level 2	499,745	0
U.S. Treasury Notes	2,841,373	N/A	Level 1	1,947,676	893,697
Total Investments	\$12,437,645			\$9,695,165	\$2,742,480

¹ Standard & Poor's

² Moody's Investor Service

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The City’s investment policy limits security purchases to those that mature within five years of settlement date with an average weighted maturity not to exceed two years.

Credit Risk – The City’s investments in FNMA and Freddie MAC securities were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services.

Custodial Credit Risk – The City’s investments in Negotiable CD’s, FNMA, Freddie MAC and U.S. Treasury Notes securities in the amounts of \$8,099,623, \$996,904, \$499,745 and \$2,841,373, respectively, are uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name.

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

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2017 were levied after October 1, 2016 on assessed values as of January 1, 2016, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last revaluation was completed during 2017 and the last equalization adjustment was completed in 2015. Real property taxes are payable annually or semi-annually. The first payment is due January 20; the remainder payable by June 20.

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 6 - TAXES (Continued)

A. Property Taxes (Continued)

Public utility real property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100% of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Perrysburg. The County Auditor periodically remits to the City its portion of the taxes collected. The full tax rate for all City operations for the year ended December 31, 2017 was \$5.65 per \$1,000 of assessed value. The assessed value upon which the 2017 receipts were based was \$618,682,190. This amount constitutes \$612,248,860 in real property assessed value and \$6,433,330 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .565% (5.65 mills) of assessed value.

B. Income Tax

The City levies a tax of 1.5% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 50% of the tax paid to another municipality to a maximum of 50% 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.

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 7 – TAX ABATEMENT DISCLOSURES

Real Estate Tax Abatements

As of December 31, 2017, the City of Perrysburg provides tax incentives under three programs: Tax Increment Financing (TIF), Jobs Grant, and Community Reinvestment Area (CRA).

Real Estate Tax Abatement

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment Area. The City authorizes incentives through passage of public ordinances, based upon each businesses investment criteria and through a contractual application process with each business. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand business located within the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate and includes major housing improvements in specified areas.

The City has offered the CRA abatements to encourage economic stability, maintain property values, and generate new employment opportunities and population growth.

Below is the information relevant to the disclosure of those programs for the year ending December 31, 2017.

Property Tax Abatement	Total Amount of Taxes Abated (Incentives Abated For the Year 2017 In Actual Dollars)
<i>OI Levis Park STS (2007 - 2021) (CRA)</i>	
- Gross Dollar amount of taxes abated during 2017	\$263,024
<i>Lorton Rentals LLC (2009 - 2018) (CRA)</i>	
- Gross Dollar amount of taxes abated during 2017	32,708
<i>AK Investors and Tarpstop (2008 - 2017) (CRA)</i>	
- Gross Dollar amount of taxes abated during 2017	15,287
<i>All Others (CRA)</i>	
- Gross Dollar amount of taxes abated during 2017	78,997
<i>Levis Commons (TIF)</i>	
- Gross Dollar amount of taxes abated during 2017	2,073,788
<i>Owens Brockway (Jobs Grant)</i>	
- Gross Dollar amount of taxes abated during 2017	110,801
<i>Bunda, Stutz and Dewitt (Jobs Grant)</i>	
- Gross Dollar amount of taxes abated during 2017	2,234
Total	\$2,576,839

CITY OF PERRYSBURG, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2017***

NOTE 8 - RECEIVABLES

Receivables at December 31, 2017 consisted of taxes, loans, special assessments, interest receivable, accounts receivable and intergovernmental receivables.

NOTE 9 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2017:

Transfers Out:	Transfers In:				Total
	General Fund	Capital Improvements Fund	Other Governmental Funds	Sewer Fund	
General Fund	\$0	\$2,040,000	\$1,237,500	\$119,922	\$3,397,422
Other Governmental Funds	465,726	0	0	0	465,726
	\$465,726	\$2,040,000	\$1,237,500	\$119,922	\$3,863,148

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

CITY OF PERRYSBURG, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets for the year ended December 31, 2017 was as follows:

Historical Cost:

Class	December 31, 2016	Additions	Deletions	December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land	\$10,449,238	\$0	\$0	\$10,449,238
Construction in Progress	9,609,755	2,480,729	(30,775)	12,059,709
Subtotal	20,058,993	2,480,729	(30,775)	22,508,947
<i>Capital assets being depreciated:</i>				
Buildings	18,348,482	0	0	18,348,482
Improvements Other than Buildings	7,894,628	30,775	0	7,925,403
Machinery and Equipment	13,604,985	1,274,101	(303,228)	14,575,858
Infrastructure	73,249,366	7,451,995	(41,069)	80,660,292
Subtotal	113,097,461	8,756,871	(344,297)	121,510,035
Total Cost	\$133,156,454	\$11,237,600	(\$375,072)	\$144,018,982

Accumulated Depreciation:

Class	December 31, 2016	Additions	Deletions	December 31, 2017
Buildings	(\$6,627,434)	(\$361,685)	\$0	(\$6,989,119)
Improvements Other than Buildings	(1,899,600)	(147,630)	0	(2,047,230)
Machinery and Equipment	(9,460,049)	(827,198)	303,228	(9,984,019)
Infrastructure	(18,808,779)	(1,804,856)	37,335	(20,576,300)
Total Depreciation	(\$36,795,862)	(\$3,141,369) *	\$340,563	(\$39,596,668)
Capital assets being depreciated, net:	76,301,599	5,615,502	(3,734)	81,913,367
Total Net Value:	\$96,360,592			\$104,422,314

CITY OF PERRYSBURG, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 10 - CAPITAL ASSETS (Continued)

A. Governmental Activities Capital Assets (Continued)

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$513,456
Leisure Time Activities	105,112
Community Development	12,797
Basic Utility Services	100,375
Transportation	2,051,921
General Government	357,708
Total Depreciation Expense	\$3,141,369

B. Business-Type Activities Capital Assets

Summary by category of changes in business- type activities capital assets for the year ended December 31, 2017 was as follows:

Historical Cost:

Class	December 31, 2016	Additions	Deletions	December 31, 2017
<i>Capital assets not being depreciated:</i>				
Land	\$273,383	\$0	\$0	\$273,383
Construction in Progress	31,701,621	4,195,838	(12,523,124)	23,374,335
Subtotal	31,975,004	4,195,838	(12,523,124)	23,647,718
<i>Capital assets being depreciated:</i>				
Buildings	12,760,825	4,199,249	0	16,960,074
Improvements Other than Buildings	58,724,733	8,508,425	0	67,233,158
Machinery and Equipment	13,317,003	373,047	(1,163)	13,688,887
Subtotal	84,802,561	13,080,721	(1,163)	97,882,119
Total Cost	\$116,777,565	\$17,276,559	(\$12,524,287)	\$121,529,837

Accumulated Depreciation:

Class	December 31, 2016	Additions	Deletions	December 31, 2017
Buildings	(\$5,024,189)	(\$184,514)	\$0	(\$5,208,703)
Improvements Other than Buildings	(20,230,896)	(959,949)	0	(21,190,845)
Machinery and Equipment	(9,842,345)	(408,694)	0	(10,251,039)
Total Depreciation	(\$35,097,430)	(\$1,553,157)	\$0	(\$36,650,587)
Capital assets being depreciated, net:	49,705,131	11,527,564	(1,163)	61,231,532
Total Net Value:	\$81,680,135			\$84,879,250

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 11 – 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.

GASB 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 the 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)

Plan Description - City employees other than full-time police participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

CITY OF PERRYSBURG, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 11 – 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 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

	<u>State and Local</u>
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	<u>1.0</u>
Total Employer	<u>13.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$859,454 for 2017.

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

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

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

For members hired after July 1, 2013, the minimum retirement age is 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 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

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

CITY OF PERRYSBURG, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2017 through December 31, 2017	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2017 through December 31, 2017	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$1,019,323 for 2017.

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, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability 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	\$10,377,558	\$13,942,265	\$24,319,823
Proportion of the Net Pension Liability-2017	0.045699%	0.220121%	
Proportion of the Net Pension Liability-2016	0.046239%	0.216954%	
Percentage Change	(0.000540%)	0.003167%	
Pension Expense	\$2,178,781	\$1,746,278	\$3,925,059

CITY OF PERRYSBURG, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$1,545,459	\$1,355,826	\$2,901,285
Changes in assumptions	1,646,008	0	1,646,008
Differences between expected and actual experience	14,066	3,943	18,009
Change in proportionate share	0	169,455	169,455
City contributions subsequent to the measurement date	859,454	1,019,323	1,878,777
Total Deferred Outflows of Resources	<u>\$4,064,987</u>	<u>\$2,548,547</u>	<u>\$6,613,534</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$61,762	\$32,102	\$93,864
Change in proportionate share	45,856	26,361	72,217
Total Deferred Inflows of Resources	<u>\$107,618</u>	<u>\$58,463</u>	<u>\$166,081</u>

\$1,878,777 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, 2018. 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:			
2018	\$1,274,760	\$542,571	\$1,817,331
2019	1,320,960	542,571	1,863,531
2020	547,495	419,704	967,199
2021	(45,300)	(64,345)	(109,645)
2022	0	27,376	27,376
2023	0	2,884	2,884
Total	<u>\$3,097,915</u>	<u>\$1,470,761</u>	<u>\$4,568,676</u>

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.

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 11 – 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, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation		3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent	including wage inflation at 3.25 percent
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)		3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2018.	2.15 percent simple, thereafter
Investment Rate of Return		7.5 percent
Actuarial Cost Method		Individual Entry Age

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

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

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

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

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other investments	18.00	4.92

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$15,854,044	\$10,377,558	\$5,813,880

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

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

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

Valuation Date	January 1, 2016
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent
Cost of Living Adjustments	2.60 percent and 3.00 percent

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

The most recent experience study was completed January 1, 2012.

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

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

* levered 2x

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

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

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

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City’s proportionate share of the net pension liability	\$18,569,444	\$13,942,265	\$10,020,667

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 12 - POSTEMPLOYMENT BENEFITS

A. Ohio Public Employees Retirement System (“OPERS”)

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

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

In order to qualify for health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45. Please see the Plan Statement in the OPERS 2016 CAFR for details.

The ORC permits, but does not mandate, OPERS to provide OPEB benefits to its eligible benefit recipients. Authority to establish and amend benefits is provided in Chapter 145 of the ORC.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml#CAFR>, by making a written request to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 1-800-222-7377.

Funding Policy – The ORC provides the statutory authority requiring public employers to fund post retirement health care coverage through their contributions to OPERS. A portion of each employer’s contribution to OPERS may be set aside for the funding of post retirement health care benefits. Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2017, local government employers contributed at a rate of 14.00% of covered payroll. The ORC currently limits the employer contribution to a rate not to exceed 14.0% of covered payroll for local government employers. Active members do not make contributions to the OPEB plan.

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

A. Ohio Public Employees Retirement System (“OPERS”) (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0% during calendar year 2017. As recommended by OPERS’ actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0.0% for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited for Member-Directed Plan participants for 2017 was 4.0%.

The City's contributions for health care to the OPERS for the years ending December 31, 2017, 2016, and 2015 were \$61,389, \$118,152 and \$128,221, respectively, which were equal to the required contributions for each year.

B. Ohio Police and Fire Pension Fund (“OP&F”)

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

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 45.

The ORC permits, but does not mandate, OP&F to provide OPEB benefits. Authority to establish and amend benefits is provided in Chapter 742 of the ORC.

OP&F issues a stand-alone financial report that includes financial information and required supplementary information for the plan. Interested parties may obtain a copy by making a written request to 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F’s website at www.op-f.org.

Funding Policy – The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F. 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 employers, respectively. The ORC 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.

CITY OF PERRYSBURG, OHIO

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2017*

NOTE 12 - POSTEMPLOYMENT BENEFITS (Continued)

B. Ohio Police and Fire Pension Fund (“OP&F”) (Continued)

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5% of covered payroll for both police officers and firefighters. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h). The OP&F Board of Trustees also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City’s contributions for health care to the OP&F for the years ended December 31, 2017, 2016, and 2015 were \$12,414, \$12,837 and \$12,675 for police and \$11,150, \$10,934 and \$9,551 for firefighters, respectively, which were equal to the required contributions for each year.

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CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 13 - COMPENSATED ABSENCES

Employees are eligible for vacation at varying rates depending on their years of service to the City. Any vacation earned during the year must be taken during the subsequent year. Unless requested by the City, no employee will receive vacation pay in lieu of vacation time off with pay.

Sick leave is accrued by all employees at the rate of .0577 hours for each hour worked for a total of 120 hours in an employee's anniversary year. A percentage of accrued sick leave time is liquidated in cash upon normal retirement under the appropriate State of Ohio retirement system after ten years of credited service, or upon death, or upon termination of employment other than for disciplinary reasons after fifteen years of service with the City. The rate of cash compensation for sick leave payout varies within specified limits under collective bargaining agreements or under law. Generally, employees may receive 50% of their sick leave accrued prior to September 14, 1976, up to 720 hours, 25% of their sick leave accrued after September 14, 1976, up to 1,000 hours and 50% of their sick leave thereafter, after meeting the minimum service time requirement. Cash compensation for sick leave is paid at the employee's full rate of pay at the time of termination or retirement.

At December 31, 2017, the City's accumulated, unpaid compensated absences amounted to \$1,521,580, of which \$1,388,588 is recorded as a liability of the Governmental Activities and \$132,992 is recorded as a liability of the Business-Type Activities.

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CITY OF PERRYSBURG, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 14 - NOTES PAYABLE

The Ohio Revised Code provides that notes including renewal notes issued in anticipation of the issuance of general obligation bonds may be issued and outstanding from time to time up to a maximum period of 20 years from the date of issuance of the original notes. The maximum maturity for notes anticipating general obligation bonds payable from special assessments is five years. Any period in excess of five years must be deducted from the permitted maximum maturity of the bonds anticipated, and portions of the principal amount of notes outstanding for more than five years must be retired in amounts at least equal to, and payable no later than, those principal maturities required if the bonds had been issued at the expiration of the initial five year period. The notes below were issued on October 28, 2017 and mature on October 27, 2018.

	Balance December 31, 2016	Issued	(Retired)	Balance December 31, 2017
Enterprise Funds:				
1.00% Elevated Water Tower	\$2,725,000	\$0	(\$2,725,000)	\$0
1.50% Elevated Water Tower	0	2,300,000	0	2,300,000
Total Notes Payable	<u>\$2,725,000</u>	<u>\$2,300,000</u>	<u>(\$2,725,000)</u>	<u>\$2,300,000</u>

NOTE 15 - LONG-TERM LIABILITIES

Long-term liabilities of the City at December 31, 2017 was as follows:

	Balance December 31, 2016	Additions	(Reductions)	Balance December 31, 2017	Due Within One Year
Governmental Activities:					
Compensated Absences	\$1,334,782	\$1,388,588	(\$1,334,782)	\$1,388,588	\$499,909
Net Pension Liability	20,220,376	1,849,482	0	22,069,858	0
Total Governmental Activities Long-Term Liabilities	<u>\$21,555,158</u>	<u>\$3,238,070</u>	<u>(\$1,334,782)</u>	<u>\$23,458,446</u>	<u>\$499,909</u>

CITY OF PERRYSBURG, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2017**

NOTE 15 - LONG-TERM LIABILITIES (Continued)

	Balance December 31, 2016	Additions	(Reductions)	Balance December 31, 2017	Due Within One Year
Business-Type Activities:					
Ohio Water Development Authority (O.W.D.A.) Loan:					
3.37% Waste Water Treatment Plant 2014	\$13,609,083	\$0	(\$771,461)	\$12,837,622	\$528,702
General Obligation Bonds:					
3.98% Various Purpose Sewer 2010	1,860,000	0	(600,000)	1,260,000	620,000
2.00% Refunding Various Purpose Sewer 2016	7,750,000	0	(170,000)	7,580,000	170,000
Premium	83,646	0	(7,604)	76,042	7,604
Total General Obligation Bonds	<u>9,693,646</u>	<u>0</u>	<u>(777,604)</u>	<u>8,916,042</u>	<u>797,604</u>
Compensated Absences	\$112,584	\$132,992	(\$112,584)	\$132,992	\$67,541
Net Pension Liability	<u>\$1,745,683</u>	<u>\$504,282</u>	<u>\$0</u>	<u>\$2,249,965</u>	<u>\$0</u>
Total Business-Type Long-Term Liabilities	<u><u>\$25,160,996</u></u>	<u><u>\$637,274</u></u>	<u><u>(\$1,661,649)</u></u>	<u><u>\$24,136,621</u></u>	<u><u>\$1,393,847</u></u>

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2017 follows:

Years	OWDA Loans		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2018	\$528,702	\$395,436	\$790,000	\$525,966
2019	546,669	379,442	815,000	500,866
2020	565,247	362,904	845,000	144,700
2021	584,457	345,803	860,000	127,800
2022	604,319	328,122	880,000	110,600
2023-2027	3,343,969	1,353,626	4,650,000	282,800
2028-2032	3,952,128	812,239	0	0
2033-2036	2,712,131	194,403	0	0
Totals	<u><u>\$12,837,622</u></u>	<u><u>\$4,171,975</u></u>	<u><u>\$8,840,000</u></u>	<u><u>\$1,692,732</u></u>

2016 Sewer System General Obligation Refunding Bonds

The Sewer System General Obligation Bonds are term bonds issued to advance refund \$7,985,000, including a call premium of \$173,951, of general obligation bonds issued in 2009. Refinancing of the bonds resulted in a cash savings of \$2,047,743 (net present value savings of \$1,607,092) or 7.75%. The amount of \$8,868,339 from the 2009 bonds was placed in an escrow fund to defease the 2009 bonds. The bonds bear an interest rate of 2.00%. These bonds will be retired from the City's Sewer Fund. The refunding bonds are not included in the City's debt since the City has in-substance satisfied its obligations through the advance refunding. The refunding bonds had an outstanding principal balance of \$7,985,000 as of December 31, 2017.

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 16 - INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In 1989, the City joined the Ohio Government Risk Management Plan (the "OGRMP"), a public entity risk plan formed under Section 2744.081 of the Ohio Revised Code that operates as a common risk management and insurance program for 585 member political subdivisions. The City pays an annual premium to the OGRMP for its general insurance coverage. The agreement for formation of the OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure all claims in excess of a member's deductible through commercial insurance and reinsurance companies.

The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs.

The City also pays unemployment claims to the State of Ohio as incurred.

The City maintains a self-funded health insurance program with claims processed by NFP Benefit Alliance on behalf of the City. A separate Self Insurance Fund (an internal service fund) was created in 1980 to account for and finance the health insurance program. As an integral part of the health insurance program, a reinsurance policy has been purchased covering claims in excess of \$35,000 per individual per year up to a maximum of \$1,000,000 per individual per lifetime. Settled claims have not exceeded the commercial coverage limits in any of the past five fiscal years.

All funds of the City from which employee salaries are paid participate in the health insurance program and make payments to the Self Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. Total contributions to the program during the year were \$1,818,240. The claims liability of \$78,979 reported in the Self Insurance Fund at December 31, 2017 is based on the requirements of GASB Statement No. 10, "*Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*," as amended by GASB Statement No. 30 "*Risk Management Omnibus*," which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and if the amount of the loss can be reasonably estimated. Changes in the Fund's claims liability amount in fiscal 2016 and 2017 were:

<u>Fiscal Year</u>	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Fiscal Year End</u>
2016	\$57,146	\$1,884,144	(\$1,836,981)	\$104,309
2017	104,309	2,602,879	(2,628,209)	78,979

CITY OF PERRYSBURG, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2017

NOTE 17 - CONTINGENCIES

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

The City has received several federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City management believes such disallowances, if any, will be immaterial.

NOTE 18 - RELATED ORGANIZATION

Perrysburg Public Library (Library) - The Library is a distinct political subdivision of the State of Ohio created under Chapter 3375 of the Ohio Revised Code. The Library is governed by a Board of Trustees appointed by the Perrysburg City Council. The Board of Trustees possesses its own contracting and budgeting authority, hires and fires personnel and does not depend on the City for operational subsidies. Although the City does serve as the taxing authority and may issue tax related debt on behalf of the Library, its role is limited to a ministerial function. The determination to request approval of a tax, the rate and the purpose are discretionary decisions made solely by the Board of Trustees. Financial information can be obtained from the Perrysburg Public Library, Clerk/Treasurer, 101 East Indiana Avenue, Perrysburg, Ohio 43551.

NOTE 19 - SUBSEQUENT EVENT

In June 2018, the City issued bond anticipation notes for \$6,000,000 for the construction of the new fire station.

CITY OF PERRYSBURG, OHIO

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF PERRYSBURG, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2017***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 1,140,000	\$ 1,040,000	\$ 1,048,100	\$ 8,100
Municipal Income Tax	17,400,000	18,885,000	18,675,444	(209,556)
Intergovernmental Revenue	695,600	997,350	894,201	(103,149)
Charges for Services	945,100	968,100	968,862	762
Licenses and Permits	405,000	502,000	496,678	(5,322)
Investment Earnings	100,000	180,000	188,755	8,755
Special Assessments	180,000	181,000	180,981	(19)
Fines and Forfeitures	696,300	756,300	745,589	(10,711)
All Other Revenues	144,612	321,112	274,283	(46,829)
Total Revenues	<u>21,706,612</u>	<u>23,830,862</u>	<u>23,472,893</u>	<u>(357,969)</u>
Expenditures:				
Current:				
Security of Persons and Property	9,294,774	9,498,941	8,701,358	797,583
Public Health and Welfare Services	26,834	26,834	25,833	1,001
Leisure Time Activities	1,609,130	1,719,039	1,626,939	92,100
Community Development	719,931	868,726	779,591	89,135
Transportation	1,791,532	1,827,888	1,754,505	73,383
General Government	5,954,584	5,956,932	4,882,198	1,074,734
Total Expenditures	<u>19,396,785</u>	<u>19,898,360</u>	<u>17,770,424</u>	<u>2,127,936</u>
Excess of Revenues Over Expenditures	2,309,827	3,932,502	5,702,469	1,769,967
Other Financing Sources (Uses):				
Transfers In	310,000	477,969	465,726	(12,243)
Transfers Out	(2,981,588)	(5,859,988)	(3,397,422)	2,462,566
Advances Out	(400,000)	(400,000)	(400,000)	0
Total Other Financing Sources (Uses):	<u>(3,071,588)</u>	<u>(5,782,019)</u>	<u>(3,331,696)</u>	<u>2,450,323</u>
Net Change In Fund Balance	(761,761)	(1,849,517)	2,370,773	4,220,290
Fund Balance at Beginning of Year	7,367,335	7,367,335	7,367,335	0
Prior Year Encumbrances	395,258	395,258	395,258	0
Fund Balance at End of Year	<u>\$ 7,000,832</u>	<u>\$ 5,913,076</u>	<u>\$ 10,133,366</u>	<u>\$ 4,220,290</u>

See accompanying notes to the basic financial statements

CITY OF PERRYSBURG, OHIO

***Schedule of City's Proportionate Share of the Net Pension Liability
Last Four Years***

Ohio Public Employees Retirement System

Year	2014	2015	2016	2017
City's proportion of the net pension liability	0.046948%	0.046948%	0.046239%	0.045699%
City's proportionate share of the net pension liability	\$5,534,558	\$5,662,454	\$8,009,242	\$10,377,558
City's covered-employee payroll	\$6,702,723	\$5,878,717	\$6,544,450	\$5,907,617
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	82.57%	96.32%	122.38%	175.66%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%	77.25%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2014	2015	2016	2017
City's proportion of the net pension liability	0.2170836%	0.2170836%	0.216954%	0.220121%
City's proportionate share of the net pension liability	\$10,572,652	\$11,245,835	\$13,956,817	\$13,942,265
City's covered-employee payroll	\$5,344,502	\$4,461,974	\$4,631,832	\$4,973,360
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	197.82%	252.04%	301.32%	280.34%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%	68.36%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.

CITY OF PERRYSBURG, OHIO

Schedule of City Contributions Last Five Years

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$871,354	\$705,446	\$785,334	\$708,914	\$859,454
Contributions in relation to the contractually required contribution	<u>871,354</u>	<u>705,446</u>	<u>785,334</u>	<u>708,914</u>	<u>859,454</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$6,702,723	\$5,878,717	\$6,544,450	\$5,907,617	\$7,162,117
Contributions as a percentage of covered-employee payroll	13.00%	12.00%	12.00%	12.00%	12.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contribution	\$912,841	\$908,458	\$930,535	\$999,148	\$1,019,323
Contributions in relation to the contractually required contribution	<u>912,841</u>	<u>908,458</u>	<u>930,535</u>	<u>999,148</u>	<u>1,019,323</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered-employee payroll	\$5,344,502	\$4,461,974	\$4,631,832	\$4,973,360	\$5,073,783
Contributions as a percentage of covered-employee payroll	17.08%	20.36%	20.09%	20.09%	20.09%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.

CITY OF PERRYSBURG, OHIO

Notes to the Required Supplemental Information For the Year Ended December 31, 2017

NOTE 1 – BUDGETARY PROCESS

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriation ordinance, both 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.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the object level within each department. Budgetary modifications may only be made by ordinance of the City Council.

A. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2017.

B. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. During 2017, several supplemental appropriations were necessary to budget for unanticipated expenditures. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—General Fund" are provided on the budgetary basis to provide a comparison of actual results to the final budget, including all amendments and modifications.

CITY OF PERRYSBURG, OHIO

Notes to the Required Supplemental Information For the Year Ended December 31, 2017

NOTE 1 – BUDGETARY PROCESS (Continued)

C. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported as reservations of fund balances for governmental funds in the accompanying basic financial statements.

D. Lapsing of Appropriations

At the close of each fiscal 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 subsequent fiscal year and need not be reappropriated.

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CITY OF PERRYSBURG, OHIO

***Notes to the Required Supplemental Information
For the Year Ended December 31, 2017***

NOTE 1 – BUDGETARY PROCESS (Continued)

E. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on a cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

Net Change In Fund Balance	General Fund
GAAP Basis (as reported)	\$3,440,543
Increase (Decrease):	
Accrued Revenues at December 31, 2017 received during 2018	(2,979,918)
Accrued Revenues at December 31, 2016 received during 2017	2,315,937
Accrued Expenditures at December 31, 2017 paid during 2018	630,716
Accrued Expenditures at December 31, 2016 paid during 2017	(791,930)
2016 Prepays for 2017	109,938
2017 Prepays for 2018	(119,933)
2016 Mark to Market	(53,437)
2017 Mark to Market	21,086
2016 Off the Books Account	49,956
2017 Off the Books Account	(55,724)
Outstanding Encumbrances	(196,461)
Budget Basis	\$2,370,773

CITY OF PERRYSBURG, OHIO

Notes to the Required Supplemental Information For the Year Ended December 31, 2017

NOTE 2 - OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

There were no recent significant changes of benefit terms, investment policies, the size or composition of the population covered by the benefit terms impacting the actuarial valuation study for the year ended December 31, 2016.

In 2016, a five-year experience study was completed on the period January 1, 2011 through December 31, 2015. The Board adopted changes to both the demographic and economic assumptions as a result of the study. The most notable change in demographic assumptions is an increased life expectancy of the members and the most notable change in economic assumptions is the reduction in the actuarially assumed rate of return from 8.00% down to 7.50% for the defined benefit investments. The new assumptions are included in the 2016 actuarial valuation.

In 2016, OPERS, in conjunction with the Board's investment consultants, also completed an asset liability study. Periodically, the System engages in a more comprehensive study that examines the nature of the pension liabilities the plan will ultimately pay and the characteristics of the asset allocation projections and the associated level of risk. As a result of this study, OPERS modified the asset allocation slightly, but not substantively.

NOTE 3 - OHIO POLICE AND FIRE (OP&F) PENSION FUND

In October 2017, the OPF Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of December 31, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8.0 percent. Although the exact amount of these changes is not known, the impact to the City's net pension liability is expected to be significant.

CITY OF PERRYSBURG, OHIO

INDEPENDENT AUDITORS' REPORT

INTERNAL CONTROL

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

June 26, 2018

Honorable Mayor and
Members of the City Council
City of Perrysburg, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *City of Perrysburg, Ohio* (the "City"), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Johnson LLC". The signature is written in a cursive, flowing style.



Dave Yost • Auditor of State

CITY OF PERRYSBURG

WOOD COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
AUGUST 23, 2018**