CITY OF TORONTO
JEFFERSON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2017

Dave Yost • Auditor of State

CITY OF TORONTO
JEFFERSON COUNTY
DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

City of Toronto
Jefferson County
P.O. Box 189
Toronto, Ohio 43964

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, 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 preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Basis for Qualified Opinions on Governmental Activities, Business Type Activities, and Proprietary Funds Water, Sewer and Refuse

Capital Assets are reported in the financial statements as described in the following table:

2017	Governmental Activities	Business Type Activities	Water Fund	Sewer Fund	Refuse Fund	Total Capital Assets
Reported Capital Assets	$4,926,505	$17,386,297	$12,815,243	$4,450,085	$120,969	$22,312,802
Percent of Total Assets	53%	78%	84%	70%	29%	71%

The City has not maintained a complete capital asset listing to support the accuracy and completeness of reported capital assets, therefore, we are unable to rely on the beginning balances. The City does not have an accounting system in place to identify capital asset purchases, deletions, and depreciation expense and the City does not maintain an identification system for capitalized items. Additionally, the City's financial statements omit certain capital assets, including infrastructure. As a result, we were unable to obtain sufficient appropriate audit evidence supporting the amounts recorded as capital assets in the Governmental Activities, Business Type Activities, Water Fund, Sewer Fund, and Refuse Fund. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinions

In our opinion, except for the matters described in the *Basis for Qualified Opinions on Governmental Activities, Business Type Activities, and Proprietary Funds Water, Sewer and Refuse* paragraphs above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business type activities, water fund, sewer fund, and refuse fund of the City of Toronto, Jefferson County, Ohio, as of December 31, 2017, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Street Maintenance and Repair Fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, Ohio, as of December 31, 2017, and the respective changes in financial position thereof and the budgetary comparisons for the General and Street Maintenance and Repair funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Dave Yost

Dave Yost
Auditor of State
Columbus, Ohio

November 16, 2018

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The discussion and analysis of the City of Toronto's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2017. The intent of this discussion and analysis is to look at the City's 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 $835,045, which represents a 5 percent increase from 2016. Net position of governmental activities decreased $69,639. Net position of business-type activities increased $904,684.

- Total capital assets increased $1,513,110 in 2017. Capital assets of governmental activities increased $75,648 and capital assets of business-type activities increased $1,437,462.

- Outstanding debt increased from $10,142,024 to $11,052,448 due to additional loan proceeds for WWTP improvements during the year offset by principal payments.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the City of Toronto as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2017 and how they affected the operations of the City as a whole.

Reporting the City of Toronto as a Whole

Statement of Net Position and the Statement of Activities

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of the City of Toronto, the general fund is by far the City's most significant governmental fund. Business-type major funds consist of the water, sewer and refuse funds.

A question typically asked about the City's finances "How did we do financially during 2017?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

- Governmental Activities - Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community development, leisure time activities and transportation.

- 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 and refuse major funds are reported as business activities.

Reporting the City of Toronto's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the general fund and the street maintenance and repair fund.

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 future services. 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.

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match, except for the internal service fund allocations.

The City of Toronto as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2017 compared to 2016:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	$ 4,283,795	$ 4,291,275	$ 5,005,900	$ 4,322,718	$ 9,289,695	$ 8,613,993
Capital Assets	4,926,505	4,850,857	17,386,297	15,948,835	22,312,802	20,799,692
Total Assets	9,210,300	9,142,132	22,392,197	20,271,553	31,602,497	29,413,685
Deferred Outflows of Resources						
Pension	796,178	931,484	562,205	374,525	1,358,383	1,306,009
Liabilities						
Current and Other Liabilities	64,307	75,925	137,909	159,525	202,216	235,450
Long-Term Liabilities						
Due Within One Year	173,654	162,422	915,017	910,088	1,088,671	1,072,510
Due in More Than One Year						
Net Pension Liability	3,552,740	3,512,215	1,271,230	859,786	4,823,970	4,372,001
Other Amounts	948,248	1,054,151	9,488,750	8,470,821	10,436,998	9,524,972
Total Liabilities	4,738,949	4,804,713	11,812,906	10,400,220	16,551,855	15,204,933
Deferred Inflows of Resources						
Property Taxes and Other	161,063	155,270	0	0	161,063	155,270
Pension	100,520	38,048	7,566	16,612	108,086	54,660
Total Deferred Inflows of Resources	261,583	193,318	7,566	16,612	269,149	209,930
Net Position						
Net Investment in Capital Assets	4,168,144	3,983,679	7,092,210	6,572,690	11,260,354	10,556,369
Restricted	1,287,889	1,886,056	0	0	1,287,889	1,886,056
Unrestricted	(450,087)	(794,150)	4,041,720	3,656,556	3,591,633	2,862,406
Total Net Position	$ 5,005,946	$ 5,075,585	$ 11,133,930	$ 10,229,246	$ 16,139,876	$ 15,304,831

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

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

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

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

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

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

At year end, capital assets represented 71 percent of total assets. Capital assets include land, work of art, construction in progress, buildings, land improvements, equipment, vehicles, infrastructure and water and sewer lines. The net investment in capital assets was $11,260,354 at December 31, 2017, with $4,168,144 in governmental activities and $7,092,210 in business-type activities. These capital assets are used to provide services to citizens 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, $1,287,889, or 8 percent, represents resources that are subject to external restrictions on how they may be used.

Non-depreciable capital assets in business-type activities increased $1,987,660 due to additional construction in progress for the WWTP improvement project. Business-type activities also saw an increase in long-term liabilities due to increases in pension expense related to the net pension liability and additional OWDA loan proceeds for the WWTP improvement project.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2017 and 2016.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for Services	$ 156,034	$ 196,507	$ 4,362,120	$ 4,121,479	$ 4,518,154	$ 4,317,986
Operating Grants	582,385	1,060,256	0	0	582,385	1,060,256
Capital Grants	0	252,695	250,000	0	250,000	252,695
General Revenues:						
Property Taxes	164,260	152,659	0	0	164,260	152,659
Income Taxes	2,951,849	2,531,685	0	0	2,951,849	2,531,685
Other Local Taxes	40,267	47,397	0	0	40,267	47,397
Grants and Entitlements	181,129	119,735	0	0	181,129	119,735
Investment Earnings	1,757	2,244	0	0	1,757	2,244
Miscellaneous	22,810	25,485	2,805	450	25,615	25,935
Total Revenues	4,100,491	4,388,663	4,614,925	4,121,929	8,715,416	8,510,592
Program Expenses						
General Government	679,387	578,672	0	0	679,387	578,672
Security of Persons and Property	1,868,727	1,856,844	0	0	1,868,727	1,856,844
Public Health	11,489	12,910	0	0	11,489	12,910
Leisure Time Services	265,857	251,159	0	0	265,857	251,159
Community Development	546,178	426,327	0	0	546,178	426,327
Transportation	657,096	1,485,162	0	0	657,096	1,485,162
Interest and Fiscal Charges	16,396	6,460	0	0	16,396	6,460
Enterprise Operations:						
Water	0	0	2,288,826	2,251,834	2,288,826	2,251,834
Sewer	0	0	989,016	828,468	989,016	828,468
Refuse	0	0	557,399	483,997	557,399	483,997
Total Program Expenses	4,045,130	4,617,534	3,835,241	3,564,299	7,880,371	8,181,833
Increase (Decrease) in Net Position before Transfers	55,361	(228,871)	779,684	557,630	835,045	328,759
Transfers	(125,000)	(125,000)	125,000	125,000	0	0
Change in Net Position	(69,639)	(353,871)	904,684	682,630	835,045	328,759
Net Position Beginning of Year	5,075,585	5,429,456	10,229,246	9,546,616	15,304,831	14,976,072
Net Position End of Year	$ 5,005,946	$ 5,075,585	$ 11,133,930	$ 10,229,246	$ 16,139,876	$ 15,304,831

Governmental Activities

The funding for the governmental activities comes from several different sources, the most significant being the municipal income tax. Other prominent sources are property taxes, grants and entitlements and charges for services.

The City's income tax is at a rate of 2.0 percent. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100 percent credit up to 2.0 percent for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City.

Governmental revenue is comprised of program revenue and general revenue. General revenues include grants and entitlements, such as local government funds. Governmental activities are primarily funded with the combination of property tax, income tax and intergovernmental revenues. The City monitors its sources of revenues very closely for fluctuations.

Operating grants decreased during 2017 due to decreased CDBG grants received for home repair. Capital grants decreased because the balance of the grant money for the Titanium Way Bridge was received during 2017.

Police and fire represent the largest expense of the governmental activities. This expense of $1,868,727 represents 46 percent of the total governmental activities expenses. These two departments operate out of the general fund.

Transportation expense is another large area of expense for the City. The City provides many services to its citizens that include public road salting, leaf and debris pickup, paint striping and alley profiling. These expenses totaled $657,096, a decrease from 2016. The decrease was due to completion of the Titanium Way bridge project.

The City also maintains a health department (public health services) and a park (leisure time activities) within the City. These areas had expenses of $277,346 in 2017 equaling 7 percent of the total governmental services expenses.

Business-Type Activities

Business-type activities include water, sewer and refuse operations. The revenues are generated primarily from charges for services. In 2017, charges for services of $4,362,120 accounted for 95 percent of the business type revenues. The increase in charges for services is due to the increased collections for services provided during 2017. The total expenses for the utilities were $3,835,241, thus leaving an increase in net position of $779,684 (before transfers) for the business-type activities.

Capital grants increased $250,000 due to an OWDA grant received for the wastewater treatment plant improvements project.

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 16. These funds are accounted for using the modified accrual method of accounting. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The general fund's net change in fund balance for 2017 was an increase of $555,711. This increase was primarily the result of increased income tax revenues coupled with a decrease in expenditures related to the purchase of a fire truck in 2016.

The street maintenance and repair fund's net change in fund balance for 2017 was a decrease of $56,838 due to expenditures exceeding revenues and transfers from income taxes.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for the business-type activities, but in more detail.

Total unrestricted net position of the water, sewer, refuse and other enterprise funds at the end of the year amounted to $3,755,259. The total growth in net position of enterprise funds was $790,584. This is mainly due to the increased collections for water, sewer and refuse services provided to the residents of the City combined with a transfer from the general fund.

General Fund Budgeting Highlights

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 2017, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

The actual budget basis revenue was $3,647,201, representing an increase of $350 over the final budget estimate of $3,646,851. There were no significant variances from the original to final budget revenue.

Final expenditure appropriations of $2,756,195 were $19,000 higher than original expenditure appropriations. Final expenditure appropriations were $324,690 higher than the actual expenditures of $2,431,505, primarily as a result of conservative budgeting.

There were no significant variances to discuss within other financing sources and uses.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2017, the City had $22,312,802 invested in capital assets. A total of $4,926,505 of this was for governmental activities and $17,386,297 was attributable to business-type activities. Table 3 shows 2017 balances compared with 2016.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$ 140,000	$ 140,000	$ 43,904	$ 43,904	$ 183,904	$ 183,904
Work of Art	17,500	17,500	0	0	17,500	17,500
Buildings	863,859	897,797	8,128,546	8,356,393	8,992,405	9,254,190
Land Improvements	272,458	270,890	1,439,754	1,467,415	1,712,212	1,738,305
Equipment	405,836	382,868	907,973	1,028,974	1,313,809	1,411,842
Vehicles	1,272,368	1,319,597	438,291	506,543	1,710,659	1,826,140
Infrastructure	1,840,962	1,751,048	0	0	1,840,962	1,751,048
Water and Sewer Lines	0	0	4,004,624	4,110,061	4,004,624	4,110,061
Construction in Progress	113,522	71,157	2,423,205	435,545	2,536,727	506,702
Total	$ 4,926,505	$ 4,850,857	$ 17,386,297	$ 15,948,835	$ 22,312,802	$ 20,799,692

See Note 8 for additional information about the capital assets of the City.

Debt

The outstanding debt for the City as of December 31, 2017 was $11,052,448. See Note 14 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Installment Loans	$ 366,045	$ 415,152	$ 0	$ 0	$ 366,045	$ 415,152
OWDA Loans	0	0	9,884,737	8,768,696	9,884,737	8,768,696
OPWC Loans	0	0	178,750	182,000	178,750	182,000
Garbage Packer Loan	0	0	0	20,546	0	20,546
Capital Leases	392,316	452,026	230,600	303,604	622,916	755,630
Total	$ 758,361	$ 867,178	$ 10,294,087	$ 9,274,846	$ 11,052,448	$ 10,142,024

Current Financial Issues

The City had a cash balance of $1,348,772 at December 31, 2017 in the general fund.

The City has a 2 percent wage income tax, which when added together with revenue from grants, enabled the City to complete various capital improvements totaling, $209,000 during 2017.

The City sells water to Jefferson County and the revenue from these water sales totaled $1,667,717.

Contacting the City's Finance Department

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 any questions about this report or need additional financial information, contact Lisa Bauman, Auditor of City of Toronto, 416 Clark Street, Toronto, Ohio 43964, telephone 740-537-4505 or email tauditor@brdband.com.

City of Toronto
Jefferson County, Ohio
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$ 2,254,069	$ 3,790,887	$ 6,044,956
Cash and Cash Equivalents in Segregated Accounts	111,397	0	111,397
Cash and Cash Equivalents with Fiscal Agents	566,414	0	566,414
Restricted Assets:			
Cash and Cash Equivalents	0	75,991	75,991
Accounts Receivable	0	599,087	599,087
Intergovernmental Receivable	963,253	85,213	1,048,466
Taxes Receivable	615,543	0	615,543
Internal Balances	(286,461)	286,461	0
Prepaid Items	29,711	39,484	69,195
Materials and Supplies Inventory	29,869	128,777	158,646
Non-Depreciable Capital Assets	271,022	2,467,109	2,738,131
Depreciable Capital Assets, Net	4,655,483	14,919,188	19,574,671
Total Assets	9,210,300	22,392,197	31,602,497
Deferred Outflows of Resources			
Pension	796,178	562,205	1,358,383
Liabilities			
Accounts Payable	17,970	48,050	66,020
Intergovernmental Payable	25,760	13,868	39,628
Claims Payable	13,698	0	13,698
Matured Compensated Absences Payable	6,879	0	6,879
Customer Deposits	0	75,991	75,991
Long-Term Liabilities:			
Due Within One Year	173,654	915,017	1,088,671
Due in More Than One Year:			
Net Pension Liability (see Note 10)	3,552,740	1,271,230	4,823,970
Other Amounts Due in More Than One Year	948,248	9,488,750	10,436,998
Total Liabilities	4,738,949	11,812,906	16,551,855
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	161,063	0	161,063
Pension	100,520	7,566	108,086
Total Deferred Inflows of Resources	261,583	7,566	269,149
Net Position			
Net Investment in Capital Assets	4,168,144	7,092,210	11,260,354
Restricted for Capital Outlay	172,802	0	172,802
Restricted for Other Purposes	1,115,087	0	1,115,087
Unrestricted	(450,087)	4,041,720	3,591,633
Total Net Position	$ 5,005,946	$ 11,133,930	$ 16,139,876

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Activities
For the Year Ended December 31, 2017

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants, Contributions and Interest	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities							
General Government	$ 679,387	$ 45,257	$ 0	$ 0	$ (634,130)	$ 0	$ (634,130)
Security of Persons and Property	1,868,727	30,534	12,429	0	(1,825,764)	0	(1,825,764)
Public Health	11,489	0	0	0	(11,489)	0	(11,489)
Leisure Time Services	265,857	80,243	10,357	0	(175,257)	0	(175,257)
Community Development	546,178	0	355,550	0	(190,628)	0	(190,628)
Transportation	657,096	0	204,049		(453,047)	0	(453,047)
Interest and Fiscal Charges	16,396	0	0	0	(16,396)	0	(16,396)
Total Governmental Activities	4,045,130	156,034	582,385	0	(3,306,711)	0	(3,306,711)
Business-Type Activities							
Water	2,288,826	2,903,435	0	0	0	614,609	614,609
Sewer	989,016	1,027,414	0	250,000	0	288,398	288,398
Refuse	557,399	431,271	0	0	0	(126,128)	(126,128)
Total Business-Type Activities	3,835,241	4,362,120	0	250,000	0	776,879	776,879
Total Primary Government	$ 7,880,371	$ 4,518,154	$ 582,385	$ 250,000	(3,306,711)	776,879	(2,529,832)

	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Property Taxes Levied for:			
General Purposes	122,088	0	122,088
Security of Persons and Property	31,848	0	31,848
Recreation	10,324	0	10,324
Income Taxes Levied for			
General Purposes	2,951,849	0	2,951,849
Other Local Taxes	40,267	0	40,267
Grants and Entitlements not			
Restricted to Specific Programs	181,129	0	181,129
Investment Earnings	1,757	0	1,757
Miscellaneous	22,810	2,805	25,615
Total General Revenues	3,362,072	2,805	3,364,877
Transfers	(125,000)	125,000	0
Change in Net Position	(69,639)	904,684	835,045
Net Position Beginning of Year	5,075,585	10,229,246	15,304,831
Net Position End of Year	$ 5,005,946	$ 11,133,930	$ 16,139,876

City of Toronto
Jefferson County, Ohio
Balance Sheet
Governmental Funds
December 31, 2017

	General	Street Maintenance and Repair	All Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	$ 1,430,177	$ 58,806	$ 764,207	$ 2,253,190
Cash and Cash Equivalents in Segregated Accounts	0	0	111,397	111,397
Intergovernmental Receivable	56,328	95,267	811,658	963,253
Taxes Receivable	542,358	0	73,185	615,543
Interfund Receivable	174,580	0	0	174,580
Prepaid Items	23,177	6,438	96	29,711
Materials and Supplies Inventory	0	29,869	0	29,869
Total Assets	$ 2,226,620	$ 190,380	$ 1,760,543	$ 4,177,543
Liabilities				
Accounts Payable	$ 9,412	$ 7,539	$ 1,019	$ 17,970
Intergovernmental Payable	2,886	2,236	20,638	25,760
Interfund Payable	0	0	174,580	174,580
Matured Compensated Absences Payable	0	6,879	0	6,879
Total Liabilities	12,298	16,654	196,237	225,189
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	119,668	0	41,395	161,063
Unavailable Revenue	69,148	81,293	825,798	976,239
Total Deferred Inflows of Resources	188,816	81,293	867,193	1,137,302
Fund Balances				
Nonspendable	26,908	36,307	96	63,311
Restricted	0	56,126	477,331	533,457
Committed	110,260	0	0	110,260
Assigned	321,631	0	394,267	715,898
Unassigned	1,566,707	0	(174,581)	1,392,126
Total Fund Balances	2,025,506	92,433	697,113	2,815,052
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,226,620	$ 190,380	$ 1,760,543	$ 4,177,543

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2017

Total Governmental Fund Balances		$ 2,815,052
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,926,505
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds:		
Taxes	$ 48,895	
Intergovernmental	927,344	976,239
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		267,134
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	796,178	
Deferred Inflows - Pension	(100,520)	
Net Pension Liability	(3,552,740)	(2,857,082)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Installment Loans Payable	(366,045)	
Capital Leases	(392,316)	
Compensated Absences	(363,541)	(1,121,902)
Net Position of Governmental Activities		$ 5,005,946

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General	Street Maintenance and Repair	All Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	$ 122,197	$ 0	$ 42,226	$ 164,423
Income Taxes	3,392,668	0	0	3,392,668
Other Local Taxes	0	0	41,336	41,336
Charges for Services	0	0	80,243	80,243
Licenses and Permits	46,581	0	0	46,581
Fines and Forfeitures	29,009	0	200	29,209
Intergovernmental	136,875	204,254	494,825	835,954
Interest	2,166	0	29	2,195
Other	6,680	0	16,130	22,810
Total Revenues	3,736,176	204,254	674,989	4,615,419
Expenditures				
Current:				
General Government	654,955	0	0	654,955
Security of Persons and Property	1,495,306	0	214,371	1,709,677
Public Health	10,000	0	0	10,000
Leisure Time Services	12,000	0	171,387	183,387
Community Development	0	0	546,178	546,178
Transportation	62,763	422,344	50,859	535,966
Capital Outlay	59,289	3,748	254,723	317,760
Debt Service:				
Principal Retirement	108,817	0	0	108,817
Interest and Fiscal Charges	17,335	0	0	17,335
Total Expenditures	2,420,465	426,092	1,237,518	4,084,075
Excess of Revenues Over (Under) Expenditures	1,315,711	(221,838)	(562,529)	531,344
Other Financing Sources (Uses)				
Transfers In	0	165,000	470,000	635,000
Transfers Out	(760,000)	0	0	(760,000)
Total Other Financing Sources (Uses)	(760,000)	165,000	470,000	(125,000)
Net Change in Fund Balance	555,711	(56,838)	(92,529)	406,344
Fund Balance Beginning of Year	1,469,795	149,271	789,642	2,408,708
Fund Balance End of Year	$ 2,025,506	$ 92,433	$ 697,113	$ 2,815,052

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, 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		$ 406,344
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.		
Capital Asset Additions	$ 372,516	
Current Year Depreciation	(296,868)	75,648
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(442,052)	
Intergovernmental	(72,438)	(514,490)
Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Installment General Obligation Bonds	49,107	
Capital Lease	59,710	108,817
In the statement of activitites, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		939
Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		265,240
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(503,543)
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		105,552
Compensated absences reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		(14,146)
Change in Net Position of Governmental Activities		$ (69,639)

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Property Taxes	$ 101,747	$ 141,340	$ 122,197	$ (19,143)
Income Taxes	2,753,426	3,193,982	3,306,846	112,864
Licenses and Permits	38,785	69,884	46,581	(23,303)
Fines and Forfeitures	24,154	48,265	29,009	(19,256)
Intergovernmental	114,393	182,136	137,385	(44,751)
Interest	1,804	2,020	2,166	146
Other	2,512	9,224	3,017	(6,207)
Total Revenues	3,036,821	3,646,851	3,647,201	350
Expenditures				
Current:				
General Government	989,190	848,765	671,663	177,102
Security of Persons and Property	1,609,305	1,569,730	1,489,282	80,448
Public Health	12,000	12,000	10,000	2,000
Leisure Time Services	0	12,000	12,000	0
Transportation	0	125,500	63,119	62,381
Capital Outlay	0	61,000	59,289	1,711
Debt Service:				
Principal Retirement	108,907	108,907	108,817	90
Interest and Fiscal Charges	17,793	18,293	17,335	958
Total Expenditures	2,737,195	2,756,195	2,431,505	324,690
Excess of Revenues Over (Under) Expenditures	299,626	890,656	1,215,696	325,040
Other Financing Sources (Uses)				
Advances Out	0	(142,000)	(142,000)	0
Transfers Out	(775,000)	(790,000)	(790,000)	0
Total Other Financing Sources (Uses)	(775,000)	(932,000)	(932,000)	0
Net Change in Fund Balance	(475,374)	(41,344)	283,696	325,040
Fund Balance Beginning of Year	1,065,076	1,065,076	1,065,076	0
Fund Balance End of Year	$ 589,702	$ 1,023,732	$ 1,348,772	$ 325,040

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Street Maintenance & Repair Fund
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Intergovernmental	$ 183,097	$ 188,782	$ 205,653	$ 16,871
Other	0	5,000	0	(5,000)
Total Revenues	183,097	193,782	205,653	11,871
Expenditures				
Current:				
Transportation	482,300	482,300	405,553	76,747
Capital Outlay	5,000	5,000	3,748	1,252
Total Expenditures	487,300	487,300	409,301	77,999
Excess of Revenues Over (Under) Expenditures	(304,203)	(293,518)	(203,648)	89,870
Other Financing Sources (Uses)				
Transfers In	146,903	165,000	165,000	0
Net Change in Fund Balance	(157,300)	(128,518)	(38,648)	89,870
Fund Balance Beginning of Year	97,452	97,452	97,452	0
Fund Balance End of Year	$ (59,848)	$ (31,066)	$ 58,804	$ 89,870

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2017

	Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Total	
Assets						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	$ 1,944,339	$ 1,642,311	$ 204,237	$ 0	$ 3,790,887	$ 879
Cash and Cash Equivalents with Fiscal Agents	0	0	0	0	0	566,414
Accounts Receivable	341,772	180,986	76,329	0	599,087	0
Intergovernmental Receivable	0	85,213	0	0	85,213	0
Prepaid Items	17,319	10,052	12,113	0	39,484	0
Materials and Supplies Inventory	105,207	23,570	0	0	128,777	0
Total Current Assets	2,408,637	1,942,132	292,679	0	4,643,448	567,293
Non-Current Assets:						
Restricted Assets:						
Equity in Pooled Cash and Cash Equivalents	0	0	0	75,991	75,991	0
Non-Depreciable Capital Assets	26,336	2,440,773	0	0	2,467,109	0
Depreciable Capital Assets, Net	12,788,907	2,009,312	120,969	0	14,919,188	0
Total Non-Current Assets	12,815,243	4,450,085	120,969	75,991	17,462,288	0
Total Assets	15,223,880	6,392,217	413,648	75,991	22,105,736	567,293
Deferred Outflows of Resources						
Pension	272,662	166,244	123,299	0	562,205	0
Liabilities						
Current Liabilities:						
Accounts Payable	31,753	11,410	4,887	0	48,050	0
Intergovernmental Payable	5,192	6,035	2,641	0	13,868	0
Claims Payable	0	0	0	0	0	13,698
Compensated Absences Payable	9,501	5,254	2,557	0	17,312	0
Capital Leases Payable	0	74,902	0	0	74,902	0
OPWC Loans Payable	6,500	0	0	0	6,500	0
OWDA Loans Payable	803,342	12,961	0	0	816,303	0
Total Current Liabilities	856,288	110,562	10,085	0	976,935	13,698
Long-Term Liabilities:						
Compensated Absences Payable - Net of Current Portion	72,980	3,076	16,312	0	92,368	0
Capital Leases Payable - Net of Current Portion	0	155,698	0	0	155,698	0
OPWC Loans Payable - Net of Current Portion	172,250	0	0	0	172,250	0
OWDA Loans Payable - Net of Current Portion	6,792,431	2,276,003	0	0	9,068,434	0
Customer Deposits	0	0	0	75,991	75,991	0
Net Pension Liability (see Note 10)	615,111	369,067	287,052	0	1,271,230	0
Total Long-Term Liabilities	7,652,772	2,803,844	303,364	75,991	10,835,971	0
Total Liabilities	8,509,060	2,914,406	313,449	75,991	11,812,906	13,698
Deferred Inflows of Resources						
Pension	3,661	2,197	1,708	0	7,566	0
Net Position						
Net Investment in Capital Assets	5,040,720	1,930,521	120,969	0	7,092,210	0
Unrestricted	1,943,101	1,711,337	100,821	0	3,755,259	553,595
Total Net Position	$ 6,983,821	$ 3,641,858	$ 221,790	$ 0	10,847,469	$ 553,595
Some amounts reported for business-type activities in the statement of net position are different because internal service fund assets and liabilities are included with business-type activities					286,461	
Net Position of business-type activities					$ 11,133,930	

See accompanying notes to the basic financial statements.

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

	Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	All Other Enterprise Funds	Totals	
Operating Revenues						
Charges for Services	$ 2,903,435	$ 1,027,414	$ 431,271	$ 0	$ 4,362,120	$ 672,675
Other	1,240	1,565	0	0	2,805	11,279
Total Operating Revenues	2,904,675	1,028,979	431,271	0	4,364,925	683,954
Operating Expenses						
Personal Services	712,541	453,778	345,956	0	1,512,275	0
Contractual Services	653,430	405,697	207,022	0	1,266,149	168,790
Materials and Supplies	278,896	40,191	6,862	0	325,949	0
Claims	0	0	0	0	0	296,549
Depreciation	458,852	100,742	28,147	0	587,741	0
Total Operating Expenses	2,103,719	1,000,408	587,987	0	3,692,114	465,339
Operating Income (Loss)	800,956	28,571	(156,716)	0	672,811	218,615
Non-Operating Revenues (Expense)						
Interest	0	0	0	0	0	1,037
Interest and Fiscal Charges	(232,508)	(24,142)	(577)	0	(257,227)	0
Income (Loss) Before Transfers and Capital Contributions	568,448	4,429	(157,293)	0	415,584	219,652
Capital Contributions and Transfers						
Capital Contributions	0	250,000	0	0	250,000	0
Transfers In	0	0	125,000	0	125,000	0
Total Capital Contributions and Transfers	0	250,000	125,000	0	375,000	0
Change in Net Position	568,448	254,429	(32,293)	0	790,584	219,652
Net Position Beginning of Year	6,415,373	3,387,429	254,083	0		333,943
Net Position End of Year	$ 6,983,821	$ 3,641,858	$ 221,790	$ 0		$ 553,595
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:					114,100	
Changes in Net Position of Business-Type Activities					$ 904,684	

See accompanying notes to the basic financial statements.

City of Toronto
Jefferson County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Totals	
Cash Flows from Operating Activities						
Cash Received from Customers	$ 2,895,406	$ 1,019,771	$ 429,562	$ 0	$ 4,344,739	$ 672,675
Cash Received from Other Operating Receipts	1,240	1,565	0	22,900	25,705	11,279
Cash Payments to Suppliers for Goods and Services	(683,886)	(42,479)	(6,799)	0	(733,164)	0
Cash Payments to Employees for Services and Benefits	(605,062)	(389,473)	(298,891)	0	(1,293,426)	0
Cash Payments for Contractual Services	(253,149)	(399,314)	(212,688)	(18,610)	(883,761)	(168,790)
Claims Paid	0	0	0	0	0	(302,217)
Net Cash Provided by (Used for) Operating Activities	1,354,549	190,070	(88,816)	4,290	1,460,093	212,947
Cash Flows from Noncapital Financing Activities						
Interest	0	0	0	0	0	1,037
Transfers In	0	0	125,000	0	125,000	0
Net Cash Provided by Noncapital Financing Activities	0	0	125,000	0	125,000	1,037
Cash Flows from Capital and Related Financing Activities						
Capital Grants	0	164,787	0	0	164,787	0
Proceeds of OWDA Loans	0	1,973,108	0	0	1,973,108	0
Acquisition of Capital Assets	(31,467)	(2,014,136)	0	0	(2,045,603)	0
Principal Payments on Debt and Leases	(782,109)	(151,212)	(20,546)	0	(953,867)	0
Interest Payments on Debt	(232,508)	(24,142)	(577)	0	(257,227)	0
Net Cash Used for Capital and Related Financing Activities	(1,046,084)	(51,595)	(21,123)	0	(1,118,802)	0
Net Increase in Cash and Cash Equivalents	308,465	138,475	15,061	4,290	466,291	213,984
Cash and Cash Equivalents Beginning of Year	1,635,874	1,503,836	189,176	71,701	3,400,587	353,309
Cash and Cash Equivalents End of Year	$ 1,944,339	$ 1,642,311	$ 204,237	$ 75,991	$ 3,866,878	$ 567,293
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities						
Operating Income (Loss)	$ 800,956	$ 28,571	$ (156,716)	$ 0	$ 672,811	$ 218,615
Adjustments:						
Depreciation	458,852	100,742	28,147	0	587,741	0
(Increase) Decrease in Assets and Deferred Outflows:						
Accounts Receivable	(8,029)	(7,643)	(1,709)	0	(17,381)	0
Prepaid Items	(623)	(294)	(418)	0	(1,335)	0
Materials and Supplies Inventory	3,443	(2,305)	0	0	1,138	0
Deferred Outflows - Pension	(92,031)	(60,328)	(35,321)	0	(187,680)	0
Increase (Decrease) in Liabilities and Deferred Inflows:						
Accounts Payable	(6,942)	4,524	(4,991)	0	(7,409)	0
Accrued Wages	0	0	0	0	0	0
Customer Deposits	0	0	0	4,290	4,290	0
Compensated Absences Payable	3,345	892	(620)	0	3,617	0
Intergovernmental Payable	(513)	2,493	(77)	0	1,903	0
Claims Payable	0	0	0	0	0	(5,668)
Deferred Inflows - Pension	(4,351)	(2,501)	(2,194)	0	(9,046)	0
Net Pension Liability	200,442	125,919	85,083	0	411,444	0
Net Cash Provided by (Used For) Operating Activities	$ 1,354,549	$ 190,070	$ (88,816)	$ 4,290	$ 1,460,093	$ 212,947

Noncash Capital Financing Activities:
The City purchased $20,400 of sewer fund capital assets on account in 2016.

See accompanying notes to the basic financial statements.

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

The City of Toronto (the "City") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The City Council is composed of eight members, four of whom are elected by their respective electors within their designated wards. Three councilmen at large and a council president are elected by the City at large. The City provides the following services: police and fire protection, water, wastewater and sanitation utilities, parks and recreation, health services, street maintenance, building inspection and development. Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all agencies, departments, and organizations making up the City (the primary government) and its potential component units consistent with Government Accounting Standards Board Statements No. 14, *The Financial Reporting Entity,* No. 39, *Determining Whether Certain Organizations are Component Units – an Amendment of GASB Statement No. 14,* and No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34.*

The City provides various services including police, parks and recreation, planning, zoning, street construction, maintenance and repair, water, sewer and refuse services, and general administrative services. The operation of these activities is directly controlled by Council through the budgetary process. None of these services are provided by a legally separate organization; therefore these operations are included in the primary government.

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

The City is involved with the Ohio Mid-Eastern Governments Association and the Jefferson-Belmont Joint Solid Waste Authority, which are defined as jointly governed organizations. Additional information concerning the jointly governed organizations is presented in Note 17.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to government units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The most significant of the City's accounting policies are described below.

A. Basis of Presentation

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

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

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department, and therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limitations. 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 During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. Fund Accounting

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

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

> ***General Fund*** **-** The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Maintenance & Repair Fund The street maintenance and repair special revenue fund is required by the Ohio Revised Code to account for state gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. The following are the City's proprietary fund types:

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The water, sewer and refuse funds are the City’s major enterprise funds.

Water Fund – The water fund accounts for the provision of water service to the residents and commercial users located within the City.

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

Refuse Fund – The refuse fund accounts for the provision of trash disposal for the residents and commercial users located within the City.

The other enterprise fund of the City accounts for activity related to customer utility deposits.

Internal Service Fund – Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City’s internal service fund accounts for the City’s self-insurance program providing medical, surgical and dental insurance to its employees. The City participates in the Jefferson Health Plan, as described in Note 12.

C. Measurement Focus

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

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (e.g. revenues) and decreases (e.g. 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 fund activities.

D. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 5). Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Inflows of Resources and Deferred 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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension. The deferred outflows of resources related to pension are explained in Note 10.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, intergovernmental grants and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10)

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

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

E. Cash and Cash Equivalents

To improve cash management, all cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents."

Investments are reported at fair value, with the exception of nonparticipating certificates of deposit and repurchase agreements, which are reported at cost. Investment procedures are restricted by the provisions of the Ohio Revised Code.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the City are presented on the financial statements as “equity in pooled cash and cash equivalents.” Investments with an original maturity of more than three months that are not made from the pool are reported as “investments.” The City has no investments.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2017 amounted to $2,166, which includes $1,715 assigned from other City funds.

F. 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 payment and an expenditure/expense is reported in the year in which services are consumed.

G. Materials and Supplies Inventory

Inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used.

H. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Customer deposits have been restricted in the enterprise funds because the deposit remains the property of the customer. The restricted asset account is balanced by a customer deposits liability account.

I. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. Donated capital assets received prior to the implementation of GASB 72 are recorded at fair value. The City maintains a capitalization threshold of $5,000. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	25-50 Years	50 Years
Land Improvements	15-50 Years	15-50 Years
Equipment	10-25 Years	10-25 Years
Vehicles	8-40 Years	10-20 Years
Infrastructure	25 Years	50-100 Years

The City's infrastructure consists of roads, bridges, curbs and gutters, sidewalks, drainage systems, lighting systems and water and sewer lines. The City did not record general infrastructure assets in governmental activities prior to December 31, 2002. Improvements to infrastructure that extends the life of the asset will be capitalized and depreciation expense will be recorded after December 31, 2002.

J. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables." Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future (employees with ten or more years of service). The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the City's termination policy.

L. Accrued Liabilities and Long-term Obligations

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

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

M. Pensions

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

N. Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. The City has by resolution authorized the Auditor to assign fund balance. The City may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

O. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any 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 constitutional provisions, enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, sewer and refuse services and self-insurance programs. Operating expenses are necessary costs incurred to provide the goods or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

Q. Interfund Activity

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

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2017.

S. Estimates

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

T. Budgetary Data

All funds are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department in the general fund and at the object level for all other funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

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

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

U. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, of grants or outside contributions of resources restricted to capital acquisition and construction.

V. Implementation of New Accounting Policies

For the year ended December 31, 2017, the City has implemented Governmental Accounting Standards Board (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. 80 amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of GASB Statement No. 80 did not have an effect on the financial statements of the City.

GASB Statement No. 81 requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, it requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement also requires that a government recognize revenue when the resources become applicable to the reporting period. The implementation of GASB Statement No. 81 did not have an effect on the financial statements of the City.

GASB Statement No. 82 improves consistency in the application of pension accounting. These changes were incorporated in the City’s 2017 financial statements; however, there was no effect on beginning net position/fund balance.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund and street maintenance and repair fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are:

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

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

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

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

Net Change in Fund Balance

	General Fund	Street Maintenance and Repair Fund
GAAP Basis	$ 555,711	$ (56,838)
Net Adjustment for Revenue Accruals	(85,312)	1,399
Net Adjustment for Expenditure Accruals	(160,898)	16,791
Funds Budgeted Elsewhere*	(25,805)	0
Budget Basis	$ 283,696	$ (38,648)

* As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes unclaimed monies, police severance and fire severance funds.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

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

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

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

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

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed forty percent of the interim monies available for investment at any one time; and

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions 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.

At year-end, the carrying amount of the City's deposits was $6,232,344. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of December 31, 2017, $5,984,718 of the City's bank balance of $6,291,323 was exposed to custodial risk as discussed above, while $306,605 was covered by the Federal Deposit Insurance Corporation.

Funds Held by Fiscal Agent

The City participates in the Jefferson Health Plan for employee benefits. The amount held at fiscal year-end for the employee benefit self-insurance fund was $566,414. All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of the 2016 taxes.

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

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was $3.40 per $1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	$ 57,656,130
Public Utilities - Real	32,680
Public Utilities - Personal	3,638,880
Total Assessed Value	$ 61,327,690

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2017, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2017 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2017 consisted of taxes, interfund, accounts (billings for user charged services including unbilled utility services), and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

NOTE 7 – INCOME TAX

The City levies a municipal income tax of 2.0 percent on gross salaries, wages and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a credit up to 2.0 percent for taxes paid to other municipalities.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individuals are required to pay their estimated tax quarterly and file a declaration annually. Income tax revenues are credited to the general fund, monies are then transferred to the Street Maintenance and Repair, Police Pension, Fire Pension, and Recreation Special Revenue Funds, the Capital Improvement Capital Projects Fund and the Refuse Enterprise Fund.

NOTE 8 – CAPITAL ASSETS

A summary of changes in capital assets during 2017 follows:

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 140,000	$ 0	$ 0	$ 140,000
Work of Art	17,500	0	0	17,500
Construction in Progress	71,157	42,365	0	113,522
Total Capital Assets Not Being Depreciated	228,657	42,365	0	271,022
Capital Assets, Being Depreciated:				
Buildings	1,533,118	0	0	1,533,118
Land Improvements	1,327,589	40,575	0	1,368,164
Equipment	681,355	70,887	0	752,242
Vehicles	2,254,827	31,729	0	2,286,556
Infrastructure	2,364,832	186,960	0	2,551,792
Total Capital Assets, Being Depreciated	8,161,721	330,151	0	8,491,872
Less Accumulated Depreciation:				
Buildings	(635,321)	(33,938)	0	(669,259)
Land Improvements	(1,056,699)	(39,007)	0	(1,095,706)
Equipment	(298,487)	(47,919)	0	(346,406)
Vehicles	(935,230)	(78,958)	0	(1,014,188)
Infrastructure	(613,784)	(97,046)	0	(710,830)
Total Accumulated Depreciation	(3,539,521)	(296,868) *	0	(3,836,389)
Total Capital Assets Being Depreciated, Net	4,622,200	33,283	0	4,655,483
Total Governmental Activities Capital Assets, Net	$ 4,850,857	$ 75,648	$ 0	$ 4,926,505

*Depreciation expense was charged to governmental functions as follows:

General Government	$ 23,865
Leisure Time Services	57,183
Security of Persons and Property	88,384
Transportation	126,030
Public Health	1,406
Total	$ 296,868

	Balance 12/31/2016	Additions	Deletions	Balance 12/31/2017
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 43,904	$ 0	$ 0	$ 43,904
Construction in Progress	435,545	1,987,660	0	2,423,205
Total Capital Assets Not Being Depreciated	479,449	1,987,660	0	2,467,109
Capital Assets, Being Depreciated:				
Buildings	11,362,408	0	0	11,362,408
Improvements	1,756,420	0	0	1,756,420
Equipment	2,608,394	37,543	0	2,645,937
Vehicles	1,015,150	0	0	1,015,150
Infrastructure				
Water Lines	4,006,520	0	0	4,006,520
Sewer Lines	1,370,546	0	0	1,370,546
Total Capital Assets, Being Depreciated	22,119,438	37,543	0	22,156,981
Less Accumulated Depreciation:				
Buildings	(3,006,015)	(227,847)	0	(3,233,862)
Improvements	(289,005)	(27,661)	0	(316,666)
Equipment	(1,579,420)	(158,544)	0	(1,737,964)
Vehicles	(508,607)	(68,252)	0	(576,859)
Infrastructure				
Water Lines	(1,014,804)	(80,130)	0	(1,094,934)
Sewer Lines	(252,201)	(25,307)	0	(277,508)
Total Accumulated Depreciation	(6,650,052)	(587,741)	0	(7,237,793)
Total Capital Assets Being Depreciated, Net	15,469,386	(550,198)	0	14,919,188
Total Business-Type Activities Capital Assets, Net	$ 15,948,835	$ 1,437,462	$ 0	$ 17,386,297

NOTE 9 - RISK MANAGEMENT

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

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. At December 31, 2017, PEP retained $350,000 for casualty claims and $100,000 for property claims.

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

Financial Position

PEP's financial statements (audited by other auditor's) conform with generally accepted accounting principles, and reported the following assets, liabilities and net position at December 31, 2017.
.

	2017
Assets	$ 44,452,326
Liabilities	(13,004,011)
Net Position	$ 31,448,315

At December 31, 2017 the liabilities above include approximately $11.8 million of estimated incurred claims payable. The assets above also include approximately $11.2 million of unpaid claims to be billed. The Pool's membership increased to 527 members in 2017. These amounts will be included in future contributions from members when the related claims are due for payment. As of December 31, 2017, the City's share of these unpaid claims collectible in future years is approximately $83,000.

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

Contributions to PEP	
2015	$ 127,877
2016	128,084
2017	131,432

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

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

The City pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs to provide coverage to employees for job and other related injuries.

NOTE 10 - 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 and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

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

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those who retired 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 (CPI), capped at 3 percent.

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

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.00 %
Post-Employment Health Care Benefits	1.00 %
Total Employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $152,882 for 2017. Of this amount, $15,393 is reported as an intergovernmental payable.

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 that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of 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 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-W) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was $207,145 for 2017. Of this amount, $19,874 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows/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		OPF		Total
Proportion of the Net Pension Liability:					
Current Measurement Period		0.00902917%		0.04379000%		
Prior Measurement Period		0.00836400%		0.04544100%		
Change in Proportion		0.00066517%		-0.00165100%		
Proportionate Share of the Net Pension Liability	$	2,050,371	$	2,773,599	$	4,823,970
Pension Expense	$	491,981	$	321,067	$	813,048

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

		OPERS		OPF		Total
Deferred Outflows of Resources						
Net Difference between Projected and Actual Earnings on Pension Plan Investments	$	305,346	$	272,642	$	577,988
Differences between Expected and Actual Experience		2,779		784		3,563
Changes of Assumptions		325,213		0		325,213
Changes in Proportionate Share		91,592		0		91,592
City Contributions Subsequent to the Measurement Date		152,882		207,145		360,027
Total Deferred Outflows of Resources	$	877,812	$	480,571	$	1,358,383
Deferred Inflows of Resources						
Differences between Expected and Actual Experience	$	12,203	$	6,386	$	18,589
Changes in Proportionate Share		0		89,497		89,497
Total Deferred Inflows of Resources	$	12,203	$	95,883	$	108,086

$360,027 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:

Year Ending December 31:	OPERS	OPF	Total
2018	$ 313,364	$ 84,904	$ 398,268
2019	297,454	84,902	382,356
2020	110,858	60,459	171,317
2021	(8,949)	(35,835)	(44,784)
2022	0	(15,436)	(15,436)
Thereafter	0	(1,451)	(1,451)
	$ 712,727	$ 177,543	$ 890,270

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the Board's actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

Actuarial Information	**Traditional Pension Plan**
Actuarial Cost Method	Individual Entry Age
Investment Rate of Return	7.50 percent
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple

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

During 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 percent for 2016.

The allocation of investment assets within 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 following table displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.50 percent, post-experience study results. The prior year discount rate was 8 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 contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50 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 (6.50 percent) or one-percentage-point higher (8.50 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:	$ 3,132,400	$ 2,050,371	$ 1,148,691

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 retirement plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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:

Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.25 percent
Projected Salary Increases	4.25 percent to 11.00 percent
Payroll Increases	3.75 percent
Inflation Assumptions	3.25 percent plus productivity increase rate of 0.5 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.60 percent simple for increases based on lesser of the increase in CPI 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 OPF's 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. 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 as follows:

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

Note: Assumptions are geometric.
* levered 2x
** Numbers are net of expected inflation

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 the relationship between asset classes and economic environments. From the notional portfolio perspective above, the total portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate The total pension liability 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 earnings were calculated using the longer-term assumed investment rate of return 8.25 percent. Based on those assumptions, OPF'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:	$ 3,694,126	$ 2,773,599	$ 1,993,469

Changes between Measurement Date and Report Date

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

NOTE 11: POSTEMPLOYMENT BENEFITS

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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 and combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45. See OPERS CAFR referenced below for additional information.

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

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml#CAFR, by writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2017 was 4 percent.

Substantially all of the City's contributions allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contributions for the years ended December 31, 2017, 2016, and 2015 were $11,760, $23,344, and $19,352 respectively. For 2017, 90 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing multiple-employer defined post-employment health care plan administered by OPF. OPF provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B Premium and long term care to retirees, qualifying benefit recipients and their eligible dependents.

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

The Ohio Revised Code allows, but does not mandate OPF to provide OPEB benefits. Authority for the OPF Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits 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 for the Plan. That report may be obtained by writing to OPF, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OPF's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OPF 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 OPF 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. The portion of employer contributions allocated to health care was 0.5 percent of covered payroll from January 1, 2017 thru December 31, 2017. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contributions to OPF, which were allocated to fund post-employment health care benefits for the years ending December 31, 2017, 2016, and 2015 were $5,058, $4,862 and $4,747, respectively. 92 percent has been contributed for police and 88 percent has been contributed for firefighters for 2017. The full amount has been contributed for 2016 and 2015.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Additional Insurance

The City provides life insurance and accidental death and dismemberment insurance to full time employees. The policy is in the amount of $15,000 life insurance and $15,000 accidental death and dismemberment. All employees can purchase life insurance from the City up to $65,000.

Medical, surgical and dental insurance is offered to all employees through a self insurance internal service fund. The City is a member of the Jefferson Health Plan, a public entity risk management, insurance, and claims servicing pool, consisting of cities and other public entities across the state, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the City's behalf. The claims liability of $13,698 reported in the internal service fund at December 31, 2017, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Change in fund's claims liability for 2017 is as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2017	$ 19,366	$ 296,549	$ 302,217	$ 13,698
2016	$ 5,387	$ 208,913	$ 194,934	$ 19,366

B. Compensated Absences

The criteria for determining vested vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn vacation time based on the length of service. Typically, vacation cannot be carried over, however, unforeseen circumstances may come into play and the mayor may elect to permit an employee to carryover minimal vacation time. Sick leave is accumulated at a rate of 4.6 hours per each 80 hours worked. For employees that work less than a 40 hour work week, the sick leave accumulation is prorated based on 4.6 hours per 80 hours worked. All accumulated, unused vacation time and personal days are paid upon separation if the employee has acquired at least one year of service with the City. Upon separation, AFSCME members are paid for a maximum of 220 days of accumulated sick time provided they have ten years of service with the City. Police are paid one-half of accumulated sick time with no maximum provided they have ten years of service with the City. Upon separation, firefighters are paid for half of all accumulated sick time provided they have ten years of service with the City.

NOTE 13 – INTERFUND BALANCES AND TRANSFERS

A. Interfund Receivables/Payables

Interfund Receivable	Interfund Payable Non Major Governmental Funds
General	$ 174,580

The primary purpose of the interfund balances is to cover costs in specific funds where revenues were not received by December 31, 2017. The outstanding advance is expected to be repaid once the anticipated revenues are received.

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B. Transfers

The City made the following transfers during 2017:

	Transfers In	Transfers Out
Major Governmental Funds:		
General	$ 0	$ 760,000
Street Maintenance and Repair	165,000	0
Nonmajor Governmental Funds:		
Recreation	95,000	0
Police Pension	105,000	0
Fire Pension	70,000	0
Capital Improvement	200,000	0
Total Governmental Funds	635,000	760,000
Enterprise Funds:		
Refuse	125,000	0
Total	$ 760,000	$ 760,000

The General Fund transferred $760,000 to various other governmental funds and the refuse fund to distribute income tax revenue.

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NOTE 14 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during the year ended December 31, 2017, consisted of the following:

	Outstanding 12/31/2016	Additions	Reductions	Outstanding 12/31/2017	Amounts Due In One Year
Governmental Activities					
Installment Loan-City Building	$ 415,152	$ 0	$ (49,107)	$ 366,045	$ 50,409
Compensated Absences	349,395	67,075	(52,929)	363,541	61,983
Capital Lease	452,026	0	(59,710)	392,316	61,262
Net Pension Liability	3,512,215	40,525	0	3,552,740	0
Total Governmental Activities	$ 4,728,788	$ 107,600	$ (161,746)	$ 4,674,642	$ 173,654
Business-Type Activities					
Water Treatment Plant OWDA Loan	$ 7,430,364	$ 0	$ (722,902)	$ 6,707,462	$ 746,661
Water Treatment OWDA Plant Lagoons	373,080	0	(39,819)	333,261	40,218
Waterline Replacement OWDA Loan	571,188	0	(16,138)	555,050	16,463
Combined Sewer Separation OWDA Loan	184,523	0	(12,833)	171,690	12,961
Waste Water Treatment Plant OWDA Loan	209,541	1,973,108	(65,375)	2,117,274	0
Total OWDA loans	8,768,696	1,973,108	(857,067)	9,884,737	816,303
Waterline Replacement OPWC Loan	182,000	0	(3,250)	178,750	6,500
Garbage Packer Loan	20,546	0	(20,546)	0	0
Capital Lease	303,604	0	(73,004)	230,600	74,902
Compensated Absences	106,063	21,964	(18,347)	109,680	17,312
Net Pension Liability	859,786	411,444	0	1,271,230	0
Total Business-Type Activities	$ 10,240,695	$ 2,406,516	$ (972,214)	$ 11,674,997	$ 915,017

The installment loan for the City building will be paid from the general fund. In the business-type activities, the OWDA loans and OPWC loan will be paid from revenues derived from charges for services in the water and sewer funds. The garbage packer loan will be paid from the refuse fund. Capital leases will be paid from the general fund and the sewer fund. Compensated absences will be paid from the fund from which the employees' salaries are paid. The City pays obligations related to employee compensation from the fund benefitting from their service.

In 2007, the City entered into an installment loan agreement with Consumers National Bank for the purchase of the new City building. The principal amount of the loan was $894,981 and the interest rate is currently 1.25 percent. The loan will mature in December 2024.

In 2007, the City entered into contractual agreements with the Ohio Water Development Authority (OWDA) to construct a new water treatment plant. The City had drawn down the full amount of $13,534,834. The City had also incurred capitalized interest of $479,344. The City began to repay the loan in 2007.

In 2005 the City was awarded a new loan from the Ohio Water Development Authority (OWDA) in the amount of $781,822. The proceeds of this loan are being used to construct water treatment plant lagoons. The City had drawn down the full amount $781,822 from OWDA. In addition to the draw down, the City had incurred capitalized interest of $4,020. The City began to repay this loan in July 2006.

During 2010, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan to begin a project mandated by the U.S. EPA and the Ohio EPA to eliminate sanitary sewer overflows into the Ohio River. As of December 31, 2014, the City had drawn down the full amount of $264,886. In addition to this loan, the City was awarded proceeds of $468,882 as part of the American Recovery and Reinvestment Act (ARRA) and an equal amount of debt was forgiven. The OWDA loan has an interest rate of 1 percent and the City made the first payment in December 2010. The loan matures on July 1, 2030.

During 2013, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan to begin a waterline replacement project. The total award amount of the loan was $877,906, which includes $260,635 to be forgiven as part of the American Recovery and Reinvestment Act (ARRA). In 2013, the City drew down $328,957, of which $200,498 was forgiven. In 2014, the City drew down an additional $375,784, of which $30,347 was forgiven. In 2015, the City drew down an additional $143,375, of which $29,791 was forgiven. The OWDA loan has an interest rate of 2 percent and the City made the first payment in July 2014. The loan matures on January 1, 2044.

Additional funding for the waterline project was provided by the Ohio Public Water Commission (OPWC) in the amount of a $195,000 loan with no interest. The City made the first payment in June 2015. The loan matures on January 1, 2044.

During 2013, the City entered into a loan agreement with U.S. Bank for $100,000 for the purpose of purchasing a new garbage packer. The loan agreement is for a period of five years and the interest rate is 2.81 percent. The loan matured in October 2017.

During 2014, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan, in the amount of $2,885,412 to begin waste water treatment plant improvements. As of December 31, 2017 the City had drawn down $2,180,757. In addition to the draw down, the City had capitalized interest in the amount of $1,892. The City made the first payment on this loan on January 1, 2016. The loan matures on July 1, 2020. This loan is not fully disbursed and there is no amortization schedule available. Therefore, it is not included in the following amortization table.

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Principal and interest requirements to retire long-term obligations outstanding at December 31, 2017 are as follows:

Governmental Activities

Year	Installment Loan-City Building Principal	Installment Loan-City Building Interest
2018	$ 50,409	$ 4,278
2019	51,043	3,644
2020	51,684	3,002
2021	52,334	2,352
2022	52,992	1,694
2023-2024	107,583	1,378
	$ 366,045	$ 16,348

Business-Type Activities

Year	OWDA Loans Principal	OWDA Loans Interest	OPWC Loan Principal	Total Principal	Total Interest
2018	816,303	211,605	6,500	$ 822,803	$ 211,605
2019	841,705	188,159	6,500	848,205	188,159
2020	867,927	163,958	6,500	874,427	163,958
2021	894,994	138,979	6,500	901,494	138,979
2022	922,935	113,195	6,500	929,435	113,195
2023-2027	3,012,820	193,488	32,500	3,045,320	193,488
2028-2032	140,628	33,394	32,500	173,128	33,394
2033-2037	115,496	21,912	32,500	147,996	21,912
2038-2042	127,579	9,829	32,500	160,079	9,829
2043-2044	27,075	407	16,250	43,325	407
	$ 7,767,463	$ 1,074,927	$ 178,750	$ 7,946,213	$ 1,074,927

NOTE 15 - CAPITAL LEASES – LESSEE DISCLOSURE

In 2016 the City entered into capitalized leases for a fire truck and a vacuum truck. The leases meet the criteria of a capital lease and have been recorded as capital assets on the government-wide statements. Capital lease payments have been reclassified and are reflected as debt service expenditures in the basic financial statements for the governmental funds. The fire truck expenditures are reported as security of persons and property for the general fund expenditures on the budgetary statements.

Capital assets acquired by lease were initially capitalized in the amount of $452,026 for governmental activities and $384,502 for business-type activities, which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation in the vehicles asset class for governmental activities was $12,242 as of December 31, 2017, leaving a current book value of $439,784. Accumulated depreciation in the vehicles asset class for business type activities was $70,492 as of December 31, 2017, leaving a current book value of $314,010. Corresponding liabilities were recorded on the Statement of Net Position for governmental activities.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2017:

		Governmental Activities	Business-Type Activities
Year ending December 31,	2017	$ 71,465	$ 80,898
	2018	71,465	80,898
	2019	71,465	80,898
	2020	71,465	0
	2021	71,465	0
	2022-2023	71,464	0
Minimum lease payments		428,789	242,694
Less: amount representing interest		(36,473)	(12,094)
Present value of net minimum lease payments		$ 392,316	$ 230,600

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NOTE 16 – FUND BALANCE

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

	General	Street Maintenance and Repair	Other Governmental Funds	Total
Nonspendable for:				
Prepaid Items	$ 23,177	$ 6,438	$ 96	$ 29,711
Materials and Supplies Inventory	0	29,869	0	29,869
Unclaimed Monies	3,731	0	0	3,731
Total Nonspendable	26,908	36,307	96	63,311
Restricted for:				
Recreation	0	0	36,215	36,215
Street Maintenance and City Improvements	0	56,126	133,173	189,299
Law Enforcement and Public Safety	0	0	69,935	69,935
Titanium Way Bridge Replacement	0	0	161,407	161,407
Community Development	0	0	65,206	65,206
Capital Outlay	0	0	11,395	11,395
Total Restricted	0	56,126	477,331	533,457
Committed for:				
Police and Fire Severence	110,260	0	0	110,260
Assigned for:				
Subsequent Year Appropriations	321,631	0	0	321,631
Capital Projects	0	0	394,267	394,267
Total Assigned	321,631	0	394,267	715,898
Unassigned	1,566,707	0	(174,581)	1,392,126
Total Fund Balance	$ 2,025,506	$ 92,433	$ 697,113	$ 2,815,052

The fund deficit at December 31, 2017 of $174,581 in the Other Grants Fund arose from the recognition of expenditures on the modified accrual basis that are greater than expenditures recognized on the budgetary/cash basis. Deficits do not exist under the budgetary/cash basis of accounting. Transfers are provided when cash is required, not when accruals occur.

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Governments Association

Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The Mayor of the City of Toronto serves as the City's representative on the board; however, the City is not active. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2017, no fees were paid to OMEGA. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt.

B. Jefferson-Belmont Joint Solid Waste Authority

Jefferson-Belmont Joint Solid Waste Authority (the Authority) was established by State statutes and is operated to provide solid waste services to Jefferson and Belmont counties. The Authority is governed by a fourteen member board of directors of which the Mayor of the City of Toronto is a member. The Authority is not dependent on the City of Toronto for its continued existence, no debt exists, and the City does not maintain an equity interest. The City does not make any monetary contributions to the Authority.

NOTE 18 - CONTINGENCIES

A. Grants

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

B. Litigation

The City of Toronto is party to various legal proceedings seeking 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.

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City of Toronto
Jefferson County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Last Four Years (1)

	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)				
City's Proportion of the Net Pension Liability	0.0090292%	0.0083640%	0.0075450%	0.0075450%
City's Proportionate Share of the Net Pension Liability	$ 2,050,371	$ 1,448,750	$ 910,011	$ 889,457
City's Covered Payroll	$ 1,167,200	$ 941,300	$ 925,042	$ 700,923
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.67%	153.91%	98.38%	126.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%
Ohio Police and Fire Pension Fund (OPF)				
City's Proportion of the Net Pension Liability	0.0437900%	0.0454410%	0.0458851%	0.0458851%
City's Proportionate Share of the Net Pension Liability	$ 2,773,599	$ 2,923,251	$ 2,377,040	$ 2,234,748
City's Covered Payroll	$ 972,417	$ 949,388	$ 936,300	$ 751,774
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	285.23%	307.91%	253.88%	297.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	72.20%	73.00%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

Notes:
Ohio Public Employees' Retirement System (OPERS)

Changes of Benefit Terms: None.

Changes of Assumptions: Amounts reported in 2017 reflect an adjustment of the rates of withdrawal, disability, retirement and mortality to more closely reflect actual experience. The expectation of retired life mortality was based on RP-2014 Healthy Annuitant mortality table and RP-2014 Disabled mortality table. The following reductions were also made to the actuarial assumptions:

- Discount rate from 8.00% to 7.50%
- Wage inflation rate from 3.75% to 3.25%
- Price inflation from 3.00% to 2.50%

City of Toronto
Jefferson County, Ohio
Required Supplementary Information
Schedule of City Contributions
Last Ten Years

	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)				
Contractually Required Contribution	$ 152,882	$ 140,064	$ 112,956	$ 111,005
Contributions in Relation to the Contractually Required Contribution	(152,882)	(140,064)	(112,956)	(111,005)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
City's Covered Payroll	$ 1,176,014	$ 1,167,200	$ 941,300	$ 925,042
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%
Ohio Police and Fire Pension Fund (OPF)				
Contractually Required Contribution	$ 207,145	$ 199,135	$ 194,942	$ 192,026
Contributions in Relation to the Contractually Required Contribution	(207,145)	(199,135)	(194,942)	(192,026)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
City's Covered Payroll	$ 1,011,549	$ 972,417	$ 949,388	$ 936,300
Contributions as a Percentage of Covered Payroll	20.48%	20.48%	20.53%	20.51%

(n/a) Information prior to 2013 is not available.

2013	2012	2011	2010	2009	2008
$ 91,120	n/a	n/a	n/a	n/a	n/a
(91,120)	n/a	n/a	n/a	n/a	n/a
$ 0	n/a	n/a	n/a	n/a	n/a
$ 700,923	n/a	n/a	n/a	n/a	n/a
13.00%	n/a	n/a	n/a	n/a	n/a
$ 130,499	$ 127,612	$ 130,619	$ 134,020	$ 132,133	$ 188,544
(130,499)	(127,612)	(130,619)	(134,020)	(132,133)	(188,544)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 751,774	$ 895,643	$ 922,179	$ 947,346	$ 935,989	$ 1,333,221
17.36%	14.25%	14.16%	14.15%	14.12%	14.14%

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

City of Toronto
Jefferson County
P.O. Box 189
Toronto, Ohio 43964

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, (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 November 16, 2018, wherein we qualified our opinion on the capital assets reported within the governmental activities, the business type activities, the Water, Sewer and Refuse funds.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiency in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2017-002 through 2017-004 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2017-001.

Purpose of this Report

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

Dave Yost
Auditor of State
Columbus, Ohio

November 16, 2018

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

Finding Number	2017-001

Noncompliance – Appropriations Exceeded Estimated Resources

Ohio Rev. Code § 5705.39 provides that total appropriations from each fund shall not exceed the total of the estimated revenue available for expenditure therefrom, as certified by the county budget commission. No appropriation measure shall become effective until the county auditor files a certificate that the total appropriations from each fund, taken together with all other outstanding appropriations, do not exceed such official estimate or amended official estimate.

At December 31, 2017, appropriations exceeded estimated resources in the Street Maintenance and Repair Special Revenue Fund in the amount of $31,066, or seven percent of the estimated resources. The City does not have a policy in place to monitor this budgetary requirement. By appropriating more monies than available, the City risks overspending within the respective fund and a possible negative fund balance.

The Auditor should monitor the budgetary cycle throughout the year to help ensure that appropriations do not exceed the amounts on the certificate of estimated resources, and any amendments thereto, and actual revenue received.

Finding Number	2017-002

Material Weakness – Capital Assets

Governmental Accounting Standards Board Codification 1400.705-10 and 13 suggest it is not appropriate to report capital assets that are still in active service as “fully depreciated” if the amounts involved are significant: assets still in use should not be reported as fully depreciated. Instead, management should periodically reevaluate asset lives. If an asset will outlive its expected life, management should increase the asset life. This should be treated as a change in accounting estimate. These changes require allocating the remaining undepreciated life over the new estimate of remaining life.

Ohio Administrative Code § 117-2-02(D) states that all local public officers may maintain accounting records in a manual or computerized format. The records used should be based on the nature of operations and services the public officer provides, and should consider the degree of automation and other factors. Such records should include capital asset records including such information as original cost, acquisition date, voucher number, the asset type (land, building, vehicle, etc.), asset depreciation, location, useful life, and tag number. Local governments preparing financial statements using generally accepted accounting principles will want to maintain additional data.

Ohio Administrative Code § 117-2-02(E) states that each public office should establish a capitalization threshold so that, at a minimum, eighty percent of the local public office's non-infrastructure assets are identified, classified and recorded on the local public office's financial records. It is management's responsibility to implement internal accounting control policies and procedures to reasonably ensure the City's assets are safeguarded and recorded. Specifically, these control procedures should include the maintenance of adequate documentation to support the accuracy and completeness of capital asset records. The City's capital assets are reported on the financial statements at $22,312,802 as of December 31, 2017.

A review of the City's capital assets identified the following:

- The City does not have an accounting system in place to identify capital asset purchases, deletions, and depreciation expense and the City does not maintain an identification system for capitalized items. The City's GAAP converter has created and maintains a listing of capital assets of the City;
- The City has not adopted a written policy regarding capital assets and has not performed a physical inventory of its assets;
- Several assets on the capital asset listing are fully depreciated, some of which do not appear to be in use by the City;
- Assets are included in the detailed listing which have a value less than the City's capital asset threshold;
- Salvage values have not been established for any of the City's capital assets; and
- Estimated useful lives for vehicles are up to 40 years.

Testing over capital assets identified the following:

- The City purchased body cameras totaling $10,000 and recorded this as a capital asset addition; however, the value of each camera is under the $5,000 threshold and should not have been capitalized. This also led to a projected error amount of $89,560; and
- The City did not record an addition totaling $29,500 for work to cut a new access road to the lagoon area. The remaining expense for this asset was recorded as a capital asset addition.

The omission of the capital asset information resulted in a qualified opinion on the City's basic financial statements, because the amount by which the capital assets are misstated cannot reasonably be determined. The items identified above are the result of the City not having a capital asset policy and complying with the requirements listed in GASB Statement 34. Failure to implement the items listed above will result in a continued modified opinion and could result in adjustments to the financial statements.

The City should conduct a complete physical inventory of its assets and prepare an accurate and complete capital asset listing. The City should annually conduct a physical inventory of its assets and reconcile with the capital asset listing and remove assets no longer held as inventory. The City should create and approve a comprehensive written policy governing the identification, disposition, and depreciation of general infrastructure required to be reported under Governmental Accounting Standards Board (GASB) Statement No. 34. The policy should also include application and monitoring controls over the purchase, sale, and movement of capital assets within the City and periodic inventory requirements. This policy may then provide a consistent approach needed by management to exercise proper control over the acquisition, disposal, and maintenance of the City's property, plant, and equipment. If an asset will outlive its expected life, management should increase the asset life and allocate any remaining undepreciated life of similar assets over the new estimated life.

Finding Number	2017-003

Material Weakness – Inventory Listing

The City prepares inventory counts at each department that maintains inventory. Count sheets should include information such as the inventory category, unit price and a total value as of year-end. Information on the count sheets should be properly supported by invoices or other documentation.

Testing over inventory identified the following:

- The Street Maintenance and Repair listing did not include a price per unit as only a total amount and quantity are listed; and
- A unit cost was provided for the Water inventory listing; however, inquiry revealed these were an estimate and no invoices or additional documentation were provided.

We were able to calculate a price per unit for the Street Maintenance and Repair inventory listing; however, detailed testing revealed the unit cost for this and the Water listing were not accurate and further supporting the amounts used were estimates. Total known plus projected misstatements detected while testing inventory in the Street Maintenance and Repair Fund totaled $8,658 while known plus projected misstatements detected in the Water Fund totaled $11,716. The City agreed to adjust the amounts which are accurately reflected in the accompanying financial statements.

This is the result of the City not having a policy in place over annual inventory counts and records. Failure to prepare complete and accurate inventory counts at or near year-end could result in adjustments to the financial statements and a modified opinion.

To help strengthen controls over city inventory, the inventory summaries should list the total number of items by type and an average unit price per item should also be included so that the total value of the inventory type can be recalculated. The City should maintain support for the price per unit for each inventory category included on the listing.

Finding Number	2017-004

Material Weakness – Accurate Posting of Transactions

In our audit engagement letter, as required by AU-C Section 210, Terms of Engagement, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

The City Auditor did not abide by the adopted chart of account in coding and classifying various transactions. This resulted in adjustments and reclassifications to the financial statements. The City Auditor and management have agreed to and posted the adjustments to the City's accounting records. The corrected amounts are reflected in the accompanying financial statements.

Fund	**Line Item/Fund Adjusted:**	**Amount**	**Explanation:**
General	Final Budgeted Revenues	$114,600	To record the proper final estimated revenues from the Amended Certificate of Estimated Resources.
Street Maintenance and Repair Special Revenue	Materials and Supplies Inventory and Transportation Expenditures	8,658	To adjust for known and projected misstatements identified while testing inventory.
Home Special Revenue Fund	Community Development Block Grant Special Revenue	5,000	To record a drawdown that was placed in the incorrect fund.

Other mispostings were identified; however they were not material and the City decided not to make the adjustments.

The City did not have procedures in place to record transactions properly.

These errors were attributed to the convertor not properly recording the amounts from the work papers to the Trial Balances and to the financial statements and the City not having a process in place to adequately review the GAAP working papers.

Failure to consistently properly post all transactions increases the possibility the City will not be able to identify, assemble, analyze, classify record and report its transactions correctly or to document compliance with finance related legal and contractual requirements.

The City Auditor should maintain an accounting system and review and maintain the GAAP working papers to help enable the City to identify, assemble, analyze, classify, record, and report all transactions and to maintain accountability. All transactions should be properly coded and classified according to the chart of accounts to help ensure financial activity of the City is accurately recorded and reported.

Officials' Response: We did not receive a response from Officials to the findings reported above.

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LISA M. BAUMAN, AUDITOR

THE CITY OF TORONTO, OHIO

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2017

Finding Number	Finding Summary	Status	Additional Information
2016-001	City does not have a complete capital asset listing and inventory evaluation over all capital assets. There is no accounting system in place to capture purchase, depreciation and deletions of assets, and no written policy exists regarding capital assets.	Not Corrected	The City of Toronto is in the process of adopting a written policy regarding capital assets. Industrial Appraisal Company out of Pittsburgh, PA was contacted for their professional appraisal/evaluation of what the cost would be to the City for this evaluation.
2016-002	Water Department failed to prepare accurate inventory records starting in 2015.	Not Corrected	The water department will revise listings to include the price per unit and amount per category.

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Dave Yost • Auditor of State

CITY OF TORONTO

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
DECEMBER 18, 2018

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