

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

BASIC FINANCIAL STATEMENTS
(AUDITED)

FOR THE YEAR ENDED
DECEMBER 31, 2018



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Members of Council
City of Englewood
333 West National Road
Englewood, Ohio 45322

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

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

Keith Faber
Auditor of State
Columbus, Ohio

June 20, 2019

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**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

TABLE OF CONTENTS

Independent Auditor’s Report	1 - 2
Management’s Discussion and Analysis	3 - 19
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	20
Statement of Activities	21 - 22
Fund Financial Statements:	
Balance Sheet - Governmental Funds	23 - 24
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	25
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds.....	26 - 27
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	28
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP Budgetary Basis) -	
General Fund.....	29
Fire and Rescue Fund.....	30
Police Fund.....	31
Street Fund	32
Statement of Net Position - Proprietary Funds.....	33
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Funds	34
Statement of Cash Flows - Proprietary Funds.....	35 - 36
Statement of Fiduciary Assets and Liabilities - Fiduciary Fund	37
Notes to the Basic Financial Statements	38 - 90
Required Supplementary Information:	
Schedule of the City’s Proportionate Share of the Net Pension Liability/Net Pension Asset:	
Ohio Public Employees Retirement System (OPERS).....	91
Ohio Police and Fire (OP&F) Pension Fund	92
Schedule of City Pension Contributions:	
Ohio Public Employees Retirement System (OPERS)	93- 94
Ohio Police and Fire (OP&F) Pension Fund	95 - 96
Schedule of the City’s Proportionate Share of the Net OPEB Liability:	
Ohio Public Employees Retirement System (OPERS)	97
Ohio Police and Fire (OP&F) Pension Fund	98
Schedule of City OPEB Contributions:	
Ohio Public Employees Retirement System (OPERS)	99 - 100
Ohio Police and Fire (OP&F) Pension Fund.....	101 - 102
Notes to the Required Supplementary Information Fund.....	103
Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	104 - 105

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Julian & Grube, Inc.
Serving Ohio Local Governments

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Independent Auditor's Report

City of Englewood
Montgomery County
333 West National Road
Englewood, Ohio 45322

To the Members of Council and Mayor:

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 Englewood, Montgomery County, Ohio, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Englewood'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 of Englewood'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 of Englewood's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

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

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the City of Englewood adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 10, 2019, on our consideration of the City of Englewood'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 of Englewood's internal control over financial reporting and compliance.



Julian & Grube, Inc.
June 10, 2019

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

The management's discussion and analysis of the City of Englewood's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2018 are as follows:

- The total net position of the City decreased \$3,903,461. Net position of governmental activities decreased \$3,145,237 or 8.26% from the 2017's restated net position and net position of business-type activities decreased \$758,224 or 3.46% from the 2017's restated net position. The decreases in net position are primarily due to investments in capital projects and acquisitions.
- General revenues accounted for \$9,989,268 or 76.80% of total governmental activities revenue. Program specific revenues accounted for \$3,016,797 or 23.20% of total governmental activities revenue.
- The City had \$16,151,302 in expenses related to governmental activities; \$3,016,797 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$13,134,505 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$9,989,268.
- The general fund had revenues and other financing sources of \$9,026,644 in 2018. This represents a decrease of \$626,249 from 2017. The expenditures and other financing uses of the general fund, which totaled \$8,863,112 in 2018, decreased \$169,416 from 2017. Expenditures excluding transfers increased \$41,794. The net increase in fund balance for the general fund was \$163,532 or 2.43% over the 2017 balance.
- The fire and rescue fund had revenues and other financing sources of \$2,331,558 in 2018. This represents an increase of \$120,511 from 2017 revenues and other sources. The expenditures of the fire and rescue fund, which totaled \$2,404,768 in 2018, increased \$101,745 from 2017. State grant revenue partially offset capital acquisitions, and EMS service revenue offset the cost of increased staffing. The net decrease in fund balance for the fire and rescue fund was \$73,210 or 16.68%.
- The police fund had revenues and other financing sources of \$3,317,827 in 2018. This represents an increase of \$296,559 from 2017 revenues and other sources. The expenditures of the police fund, which totaled \$3,231,926 in 2018, increased \$54,310 from 2017. The net increase in fund balance for the police fund was \$85,901 or 31.43%.
- The street fund had revenues and other financing sources of \$1,665,576 in 2018. This represents a decrease of \$135,631 from 2017 revenues and other financing sources. The expenditures of the street fund, which totaled \$2,136,773 in 2018, increased \$493,825 from 2017. The net decrease in the fund balance for the street fund, including the decrease in reserve for inventory, was \$506,844 or 33.70%.
- The capital improvement fund had revenues and other financing sources of \$1,093,558 in 2018. The expenditures of the capital improvement fund totaled \$3,567,585 in 2018. The net decrease in the fund balance for the capital improvement fund was \$2,474,027 or 29.69%.
- Net position for the business-type activities, which are made up of the water, sewer, and solid waste enterprise funds, decreased in 2018 by \$758,224. Major upgrades to the City's wastewater treatment plan contributed to the decrease in net position.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

- Budgetary information is presented for the general fund, fire and rescue fund, police fund and street fund. In the general fund, the actual revenues and other financing sources came in \$63,901 more than they were in the final budget and actual expenditures and other financing uses were \$1,028,517 less than the amount in the final budget. Budgeted revenues and other financing sources increased \$53,982 from the original to the final budget and budgeted expenditures and other financing uses increased \$1,052,001 from the original to the final budget.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the City as a whole, 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 non-major funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take 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 restricting revenue growth, facility conditions, required community programs 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 police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, and solid waste operations are reported here.

The City's statement of net position and statement of activities can be found on pages 20-22 of this report.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 13.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, fire and rescue fund, police fund, street fund, and capital improvement fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 23-32 of this report.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and solid waste management functions. All of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability.

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position for 2018 compared to 2017. The net position at December 31, 2017 has been restated as described in Note 3.

	Net Position					
	2018 Governmental Activities	Restated 2017 Governmental Activities	2018 Business-type Activities	Restated 2017 Business-type Activities	2018 Total	Restated 2017 Total
<u>Assets</u>						
Current and other assets	\$ 21,092,870	\$ 23,213,977	\$ 5,572,244	\$ 5,301,070	\$ 26,665,114	\$ 28,515,047
Capital assets, net	<u>32,693,495</u>	<u>31,474,604</u>	<u>17,856,053</u>	<u>18,198,069</u>	<u>50,549,548</u>	<u>49,672,673</u>
Total assets	<u>53,786,365</u>	<u>54,688,581</u>	<u>23,428,297</u>	<u>23,499,139</u>	<u>77,214,662</u>	<u>78,187,720</u>
<u>Deferred outflows</u>	<u>4,060,539</u>	<u>2,934,475</u>	<u>318,213</u>	<u>498,168</u>	<u>4,378,752</u>	<u>3,432,643</u>
<u>Liabilities</u>						
Current liabilities	794,912	534,459	728,403	187,577	1,523,315	722,036
Long-term liabilities:						
Due within one year	321,542	368,187	42,959	55,378	364,501	423,565
Net pension liability	9,946,122	10,364,178	919,106	1,254,662	10,865,228	11,618,840
Net OPEB liability	8,293,829	6,301,193	594,274	521,835	8,888,103	6,823,028
Other liabilities	<u>383,969</u>	<u>275,275</u>	<u>20,732</u>	<u>23,054</u>	<u>404,701</u>	<u>298,329</u>
Total liabilities	<u>19,740,374</u>	<u>17,843,292</u>	<u>2,305,474</u>	<u>2,042,506</u>	<u>22,045,848</u>	<u>19,885,798</u>
<u>Deferred inflows</u>	<u>3,180,775</u>	<u>1,708,772</u>	<u>268,134</u>	<u>23,675</u>	<u>3,448,909</u>	<u>1,732,447</u>
<u>Net Position</u>						
Net investment in capital assets	32,693,495	31,474,604	17,856,053	18,198,069	50,549,548	49,672,673
Restricted	1,315,962	1,773,539	-	-	1,315,962	1,773,539
Unrestricted	<u>916,298</u>	<u>4,822,849</u>	<u>3,316,849</u>	<u>3,733,057</u>	<u>4,233,147</u>	<u>8,555,906</u>
Total net position	<u>\$ 34,925,755</u>	<u>\$ 38,070,992</u>	<u>\$ 21,172,902</u>	<u>\$ 21,931,126</u>	<u>\$ 56,098,657</u>	<u>\$ 60,002,118</u>

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

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

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

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

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

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

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2017, from \$44,332,416 to \$38,070,992 for governmental activities and \$22,445,158 to \$21,931,126 for business-type activities.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2018, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$56,098,657. At year-end, net position was \$34,925,755 and \$21,172,902 for governmental activities and business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets net represented 65.47% of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, equipment, vehicles, software, and infrastructure. The City's net investment in capital assets at December 31, 2018, was \$32,693,495 and \$17,856,053 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending.

As of December 31, 2018, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net position, \$1,315,962 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$916,298 may be used to meet the government's ongoing obligations to citizens and creditors.

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CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The table below shows the changes in net position for years 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 3.

Change in Net Position

	2018 Governmental Activities	Restated 2017 Governmental Activities	2018 Business-Type Activities	Restated 2017 Business-Type Activities	2018 Total	Restated 2017 Total
Revenues						
Program revenues:						
Charges for services	\$ 2,041,526	\$ 1,772,021	\$ 3,614,497	\$ 3,510,547	\$ 5,656,023	\$ 5,282,568
Operating grants and contributions	804,353	712,907	-	-	804,353	712,907
Capital grants and contributions	170,918	463,353	238,501	291,856	409,419	755,209
Total program revenues	<u>3,016,797</u>	<u>2,948,281</u>	<u>3,852,998</u>	<u>3,802,403</u>	<u>6,869,795</u>	<u>6,750,684</u>
General revenues:						
Property taxes	1,673,094	1,625,145	-	-	1,673,094	1,625,145
Income taxes	7,139,080	7,206,000	-	-	7,139,080	7,206,000
Unrestricted grants and entitlements	445,667	368,481	-	-	445,667	368,481
Payment in lieu of taxes	421,899	393,525	-	-	421,899	393,525
Investment earnings	260,850	257,033	31,480	20,478	292,330	277,511
Miscellaneous	48,678	150,677	71,564	17,777	120,242	168,454
Total general revenues	<u>9,989,268</u>	<u>10,000,861</u>	<u>103,044</u>	<u>38,255</u>	<u>10,092,312</u>	<u>10,039,116</u>
Total revenues	<u>13,006,065</u>	<u>12,949,142</u>	<u>3,956,042</u>	<u>3,840,658</u>	<u>16,962,107</u>	<u>16,789,800</u>
Expenses:						
General government	2,336,173	2,369,651	-	-	2,336,173	2,369,651
Security of persons and property	8,164,404	6,992,825	-	-	8,164,404	6,992,825
Public health and welfare	3,883	15,482	-	-	3,883	15,482
Transportation	4,441,248	3,813,099	-	-	4,441,248	3,813,099
Community environment	686,529	671,988	-	-	686,529	671,988
Leisure time activity	519,065	577,652	-	-	519,065	577,652
Water	-	-	2,318,904	1,761,053	2,318,904	1,761,053
Sewer	-	-	1,540,369	1,622,165	1,540,369	1,622,165
Solid waste	-	-	854,993	847,597	854,993	847,597
Total expenses	<u>16,151,302</u>	<u>14,440,697</u>	<u>4,714,266</u>	<u>4,230,815</u>	<u>20,865,568</u>	<u>18,671,512</u>
Change in net position	(3,145,237)	(1,491,555)	(758,224)	(390,157)	(3,903,461)	(1,881,712)
Net position at beginning of year (restated)	<u>38,070,992</u>	N/A	21,931,126	N/A	60,002,118	N/A
Net position at end of year	<u>\$ 34,925,755</u>	<u>\$ 38,070,992</u>	<u>\$ 21,172,902</u>	<u>\$ 21,931,126</u>	<u>\$ 56,098,657</u>	<u>\$ 60,002,118</u>

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$47,572 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report negative OPEB expense of \$857,559.

Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2018 program expenses under GASB 75	\$ 16,151,302	\$ 4,714,266
OPEB expense under GASB 75	(851,270)	(6,589)
2018 contractually required contributions	12,242	43
Adjusted 2018 program expenses	15,312,274	4,707,720
Total 2017 program expenses under GASB 45	14,440,697	4,230,815
Increase (decrease) in program expenses not related to OPEB	\$ 871,577	\$ 476,905

Governmental Activities

Governmental activities net position decreased 8.26% percent or \$3,145,237 in 2018.

Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$8,164,404 of the total governmental expenses of the City. These expenses were partially funded by \$1,513,130 in direct charges to users of the services. Transportation expenses totaled \$4,441,248. Transportation expenses were partially funded by \$34,460 in direct charges to users of the services and \$776,445 in operating grants and contributions.

The state and federal government contributed to the City a total of \$804,353 in operating grants and contributions and \$170,918 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

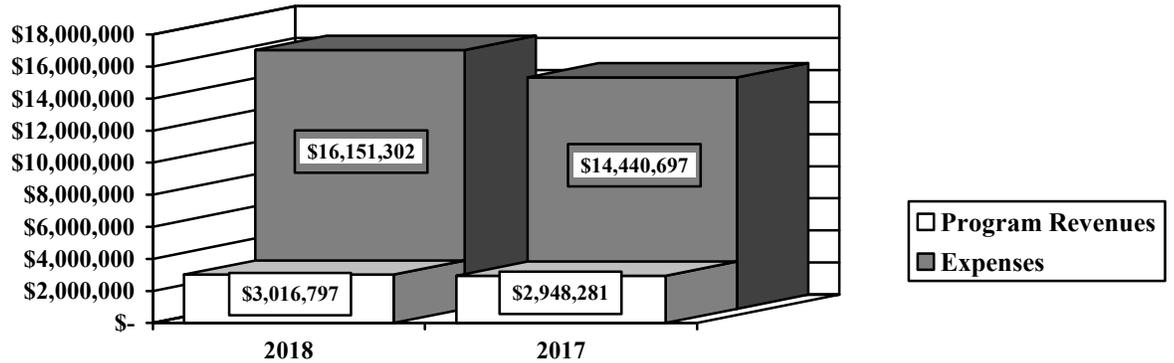
General revenues totaled \$9,989,268 and amounted to 76.80% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$8,812,174. Unrestricted grants and entitlements of \$445,667, which includes local government funds, is the other primary source of general revenues.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Governmental Activities - Program Revenues vs. Total Expenses



Governmental Activities

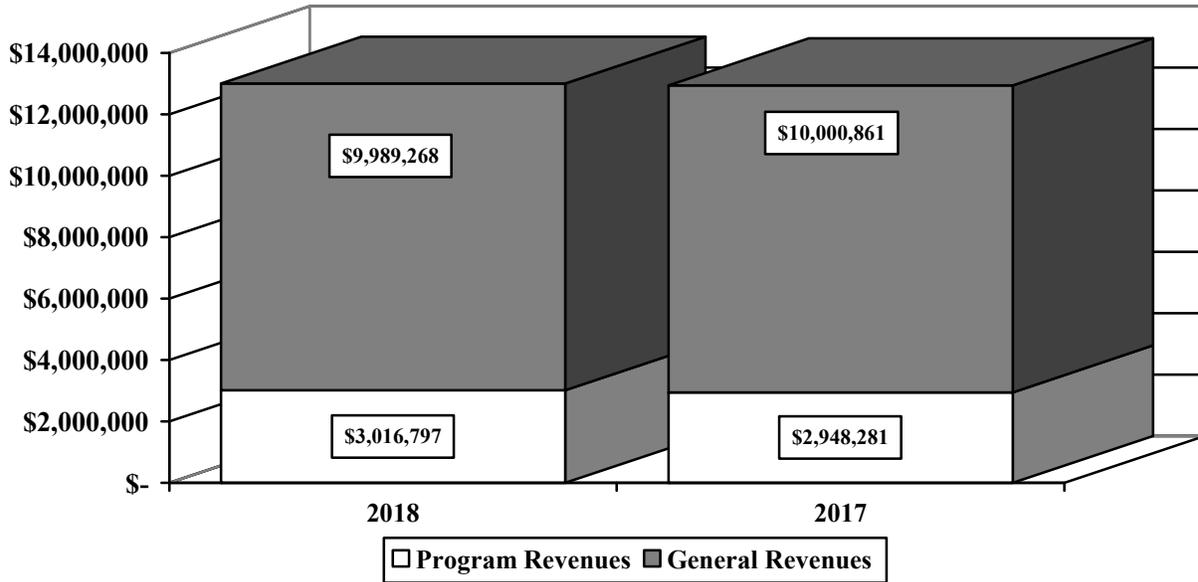
	Total Cost of Services <u>2018</u>	Total Cost of Services <u>2017</u>	Net Cost of Services <u>2018</u>	Net Cost of Services <u>2017</u>
Program Expenses:				
General government	\$ 2,336,173	\$ 2,369,651	\$ 1,957,889	\$ 2,031,272
Security of persons and property	8,164,404	6,992,825	6,625,886	5,681,108
Public health and welfare	3,883	15,482	3,883	14,343
Transportation	4,441,248	3,813,099	3,630,343	3,092,591
Community environment	686,529	671,988	610,539	593,960
Leisure time activity	519,065	577,652	305,965	79,142
Total Expenses	\$ 16,151,302	\$ 14,440,697	\$ 13,134,505	\$ 11,492,416

The dependence upon general revenues for governmental activities is apparent, with 61.85% of expenses supported through taxes and other general revenues.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Governmental Activities - General and Program Revenues

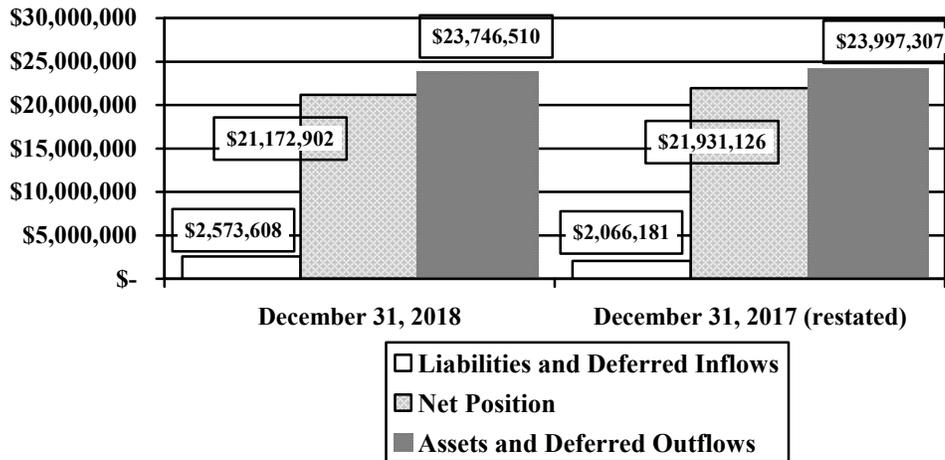


Business-type Activities

Business-type activities include the water, sewer, and solid waste enterprise funds. These programs had program revenues of \$3,852,998, general revenues of \$103,044, and expenses of \$4,714,266 for 2018.

The graph below shows the business-type activities assets, liabilities, and net position at year-end 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 3.

Net Position in Business - Type Activities



CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 23-24) reported a combined fund balance of \$15,357,131 which is \$2,882,146 below last year's balance of \$18,239,277. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2018 for all major and nonmajor governmental funds.

	Fund Balances <u>12/31/18</u>	Fund Balances <u>12/31/17</u>	Increase <u>(Decrease)</u>
Major Funds:			
General	\$ 6,899,775	\$ 6,736,243	\$ 163,532
Fire and rescue	365,781	438,991	(73,210)
Police	359,210	273,309	85,901
Street	997,056	1,503,900	(506,844)
Capital improvement	5,857,848	8,331,875	(2,474,027)
Other nonmajor governmental funds	<u>877,461</u>	<u>954,959</u>	<u>(77,498)</u>
Total	<u>\$ 15,357,131</u>	<u>\$ 18,239,277</u>	<u>\$ (2,882,146)</u>

General Fund

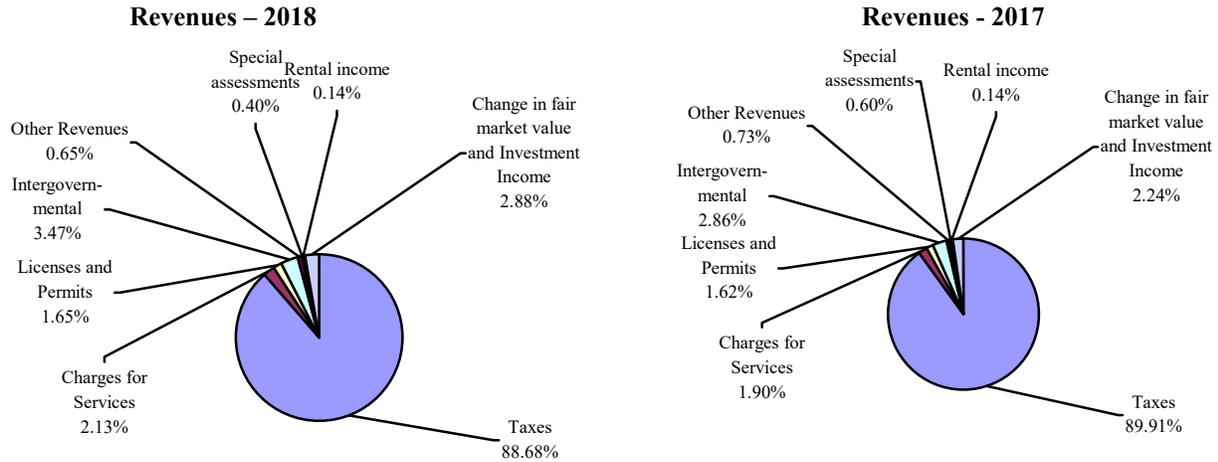
The City's general fund balance increased \$163,532. The table that follows assists in illustrating the revenues of the general fund.

	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 7,955,179	\$ 8,044,788	(1.11) %
Charges for services	191,174	169,951	12.49 %
Licenses and permits	148,129	145,375	1.89 %
Change in fair market value	(66,408)	(8,947)	(642.24) %
Investment income	324,375	209,411	54.90 %
Rental income	12,811	12,420	3.15 %
Special assessments	35,824	53,510	(33.05) %
Intergovernmental	311,576	255,519	21.94 %
Other	<u>58,596</u>	<u>68,850</u>	(14.89) %
Total	<u>\$ 8,971,256</u>	<u>\$ 8,950,877</u>	0.23 %

CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Tax revenue represents 88.67% of all general fund revenue. The decrease in fair market value is an indication of fluctuation in the investment market at year end. This is offset by an increase in investment income.



The table that follows assists in illustrating the expenditures of the general fund.

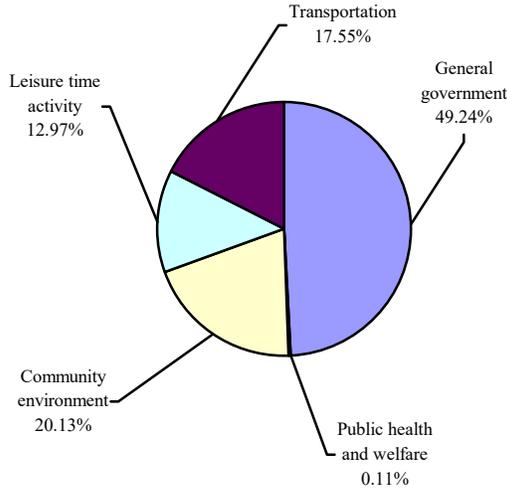
	<u>2018</u> <u>Amount</u>	<u>2017</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 1,392,983	\$ 1,408,534	(1.10) %
Public health and welfare	3,138	14,737	(78.71) %
Transportation	496,375	375,987	32.02 %
Community environment	569,368	604,870	(5.87) %
Leisure time activity	<u>366,998</u>	<u>382,940</u>	(4.16) %
Total	<u>\$ 2,828,862</u>	<u>\$ 2,787,068</u>	1.50 %

Total expenditures increased 1.50% from 2017. The largest expenditure line item, general government, decreased 1.10%.

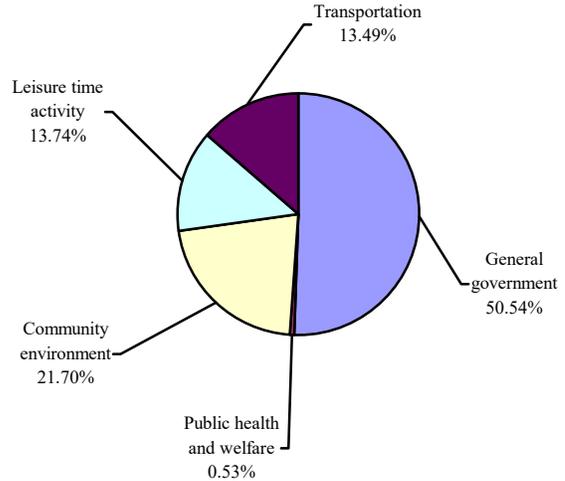
CITY OF ENGLEWOOD, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

Expenditures - 2018



Expenditures - 2017



Fire and Rescue Fund

The fire and rescue fund had revenues and other financing sources of \$2,331,558 in 2018. This represents an increase of \$120,511 from 2017 revenues and other sources. The expenditures of the fire and rescue fund, which totaled \$2,404,768 in 2018, increased \$101,745 from 2017. State grant revenue partially offset capital acquisitions, and EMS service revenue offset the cost of increased staffing. The net decrease in fund balance for the fire and rescue fund was \$73,210 or 16.68%.

Police Fund

The police fund had revenues and other financing sources of \$3,317,827 in 2018. This represents an increase of \$296,559 from 2017 revenues and other sources. The expenditures of the police fund, which totaled \$3,231,926 in 2018, increased \$54,310 from 2017. The net increase in fund balance for the police fund was \$85,901 or 31.43%.

Street Fund

The street fund had revenues and other financing sources of \$1,665,576 in 2018. This represents a decrease of \$135,631 from 2017 revenues and other financing sources. The expenditures of the street fund, which totaled \$2,136,773 in 2018, increased \$493,825 from 2017. The net decrease in the fund balance for the street fund, including the decrease in reserve for inventory, was \$506,844 or 33.70%.

Capital Improvement Fund

The capital improvement fund had revenues and other financing sources of \$1,093,558 in 2018. The expenditures of the capital improvement fund totaled \$3,567,585 in 2018. The net decrease in the fund balance for the capital improvement fund was \$2,474,027 or 29.69%.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC), as well as the City of Englewood Charter and Administrative Code. Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity then the appropriations can be adjusted accordingly.

Budgetary information is presented for the general fund, fire and rescue fund, police fund and street fund. In the general fund, the actual revenues and other financing sources came in \$63,901 more than they were in the final budget and actual expenditures and other financing uses were \$1,028,517 less than the amount in the final budget. Budgeted revenues and other financing sources increased \$53,982 from the original to the final budget and budgeted expenditures and other financing uses increased \$1,052,001 from the original to the final budget.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers) whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

Capital Assets and Debt Administration

Capital Assets

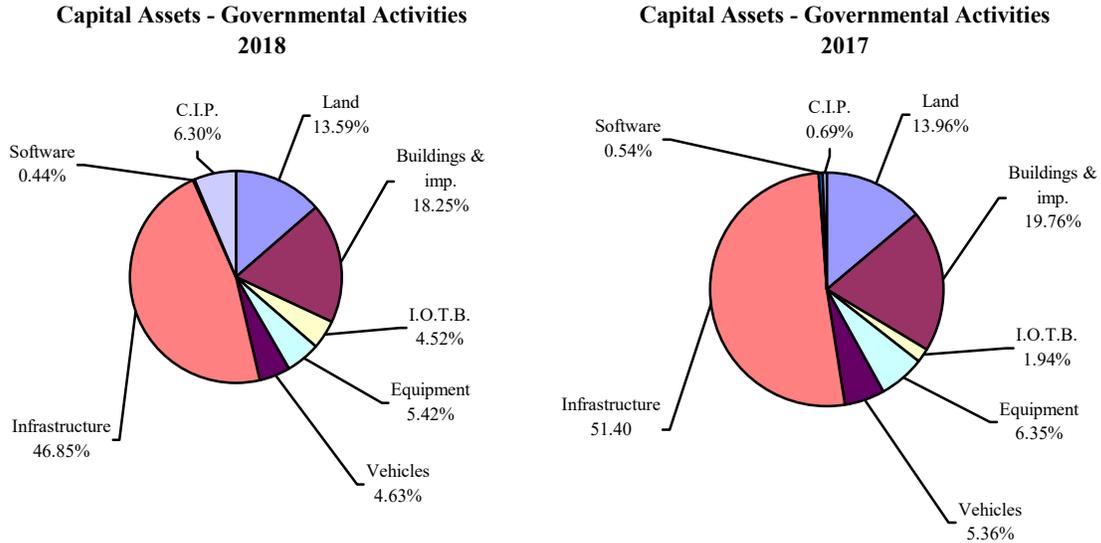
At the end of 2018, the City had \$50,549,548 (net of accumulated depreciation) invested in land, construction in progress, buildings and improvements, improvements other than buildings, equipment, vehicles, software, and infrastructure. Of this total, \$32,693,495 was reported in governmental activities and \$17,856,053 was reported in business-type activities. See Note 11 in the basic financial statements for additional capital asset disclosure. The following table shows 2018 balances compared to 2017:

	Capital Assets at December 31 (Net of Depreciation)					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Land	\$ 4,442,037	\$ 4,394,729	\$ 136,885	\$ 136,885	\$ 4,578,922	\$ 4,531,614
Land improvements (I.O.T.B.)	1,479,088	609,937	41,906	44,654	1,520,994	654,591
Buildings and improvements	5,967,096	6,220,604	2,964,774	3,181,649	8,931,870	9,402,253
Equipment	1,771,273	1,997,867	2,753,744	2,957,582	4,525,017	4,955,449
Vehicles	1,514,609	1,686,148	146,656	161,085	1,661,265	1,847,233
Infrastructure	15,313,027	16,179,552	11,359,105	11,620,892	26,672,132	27,800,444
Computer software	145,313	168,818	12,176	16,594	157,489	185,412
Construction in progress	<u>2,061,052</u>	<u>216,949</u>	<u>440,807</u>	<u>78,728</u>	<u>2,501,859</u>	<u>295,677</u>
Totals	<u>\$ 32,693,495</u>	<u>\$ 31,474,604</u>	<u>\$ 17,856,053</u>	<u>\$ 18,198,069</u>	<u>\$ 50,549,548</u>	<u>\$ 49,672,673</u>

CITY OF ENGLEWOOD, OHIO

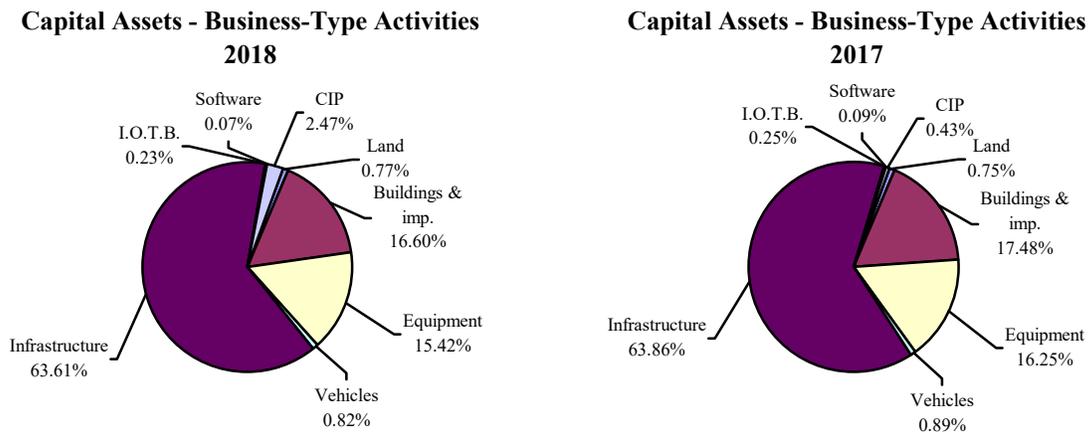
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2018**

The following graphs show the breakdown of governmental capital assets by category for 2018 and 2017.



The City's largest capital asset category is infrastructure which includes bridges, thoroughfares, curbs, gutters, sidewalks, storm sewers, traffic signals and street signs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 46.85% of the City's total governmental capital assets.

The following graphs show the breakdown of business-type capital assets by category for 2018 and 2017.



CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

The City's largest business-type capital asset category is infrastructure which primarily includes water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 63.61% of the City's total business-type capital assets.

Debt Administration

The City has had no outstanding loans or long-term debt since 2011.

Economic Conditions and Outlook

The City of Englewood is an attractive southwest Ohio planned community in the northern portion of Montgomery County. The City is located along the I-70 corridor, just 5 miles from Dayton International Airport, offering ease of access to the larger metropolitan cities of Dayton, Columbus, and Cincinnati, as well as interstate travel. For those who wish to avoid the congestion of the larger metropolitan areas, Englewood offers many opportunities right within its own borders for first-rate education, health, recreation, and entertainment. These amenities are enjoyed not only by Englewood's diverse population of 13,500, but also by the citizens of surrounding communities.

A 1.75% local income tax and successful efforts to secure federal, state, and local grants has enabled the City to provide excellent public service to its constituents, maintain and improve an extensive municipal infrastructure, and continually enhance the overall appearance of the community. Englewood takes pride in its exceptional public thoroughfares, low crime rates, and beautifully maintained green spaces and park system.

Englewood's tax base includes a healthy mix of medical, government, education, entertainment, retail, commercial, and industrial segments. This diversity in tax base has enabled the City to remain fiscally strong despite economic fluctuations and cuts in state funding. Currently, the city has nearly one hundred acres available for development within its industrial parks, ample land available for residential growth and all the necessary resources to provide excellent service to our existing and future residents.

Looking Back ... a productive year, indeed!

A total of 124 commercial building permits were issued in 2018 representing the construction of nearly 500,000 square feet. Other developments included the continued new retail, focused near the intersection of Interstate 70 and State Route 48, and development of several out lots at the Meijer property. Growth in the housing market was steady where 4 new homes were constructed with an estimated value of \$700,000.

The City completed several major construction projects in 2018, including the I-70/Main Street Beautification, major upgrades to our Fire Station and Service Center on Union Boulevard, and the reconstruction of the retaining wall at the Englewood dam.

Water and sewer improvements were once again the highlight of local capital ventures accomplished during 2018. Water main replacements on W. Wenger Road and Beckenham Road were also completed with financial assistance in the form of OPWC grants. As always, annual sidewalk replacement and general roadway resurfacing programs were completed as well.

Looking Ahead ... another busy year in store!

In 2019, the Miami Valley Career Technology Center will commence construction on a \$135 million, 570,000 square foot construction project. This will be the largest school construction project funded within assistance from the OFCC. The project is expected to take four years to complete and will increase the capacity of the school by 400 students.

CITY OF ENGLEWOOD, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2018

Construction on the city-wide water softening system at the water treatment plant will be completed in 2019. The new and improved system will provide quality water to our residents for years to come. Water main replacement projects on Winnimac Avenue and Lodestone Drive will continue this multi-year infrastructure improvement program in 2019. Once again, OPWC grant funding will provide half the cost of the water main replacements.

Community safety and security, numerous parks and other quality recreational opportunities, reasonable utility and tax rates, wonderful educational opportunities, and an aggressive capital improvements program have all positioned the city to maintain and improve its image as a progressive and inviting community.

Contacting the City's Financial Management

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 accountability for the money it receives. If you have questions about this report or need additional information, contact City Manager Eric A. Smith or the finance director, City of Englewood, 333 West National Road, Englewood, OH 45322 or visit our website at www.inglewood.oh.us.

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**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and investments.	\$ 13,912,378	\$ 6,546,019	\$ 20,458,397
Receivables:			
Income taxes.	1,577,905	-	1,577,905
Real and other taxes	1,398,528	-	1,398,528
Payments in lieu of taxes	583,955	-	583,955
Accounts.	515,371	420,273	935,644
Special assessments	324,603	33,715	358,318
Accrued interest	87,089	-	87,089
Due from other governments.	707,450	211,299	918,749
Materials and supplies inventory.	106,181	103,228	209,409
Prepayments	113,054	24,038	137,092
Net pension asset.	22	6	28
Internal balance	1,766,334	(1,766,334)	-
Capital assets:			
Nondepreciable capital assets	6,503,089	577,692	7,080,781
Depreciable capital assets, net.	26,190,406	17,278,361	43,468,767
Total capital assets, net.	<u>32,693,495</u>	<u>17,856,053</u>	<u>50,549,548</u>
Total assets	<u>53,786,365</u>	<u>23,428,297</u>	<u>77,214,662</u>
Deferred outflows of resources:			
Pension and OPEB.	4,060,539	318,213	4,378,752
Total deferred outflows of resources	<u>4,060,539</u>	<u>318,213</u>	<u>4,378,752</u>
Liabilities:			
Accounts payable.	408,856	605,429	1,014,285
Accrued wages and benefits payable	211,971	28,694	240,665
Due to other governments	174,085	16,708	190,793
Unearned revenue	-	77,572	77,572
Long-term liabilities:			
Due within one year	321,542	42,959	364,501
Due in more than one year.	383,969	20,732	404,701
Net pension liability.	9,946,122	919,106	10,865,228
Net OPEB liability.	8,293,829	594,274	8,888,103
Total liabilities	<u>19,740,374</u>	<u>2,305,474</u>	<u>22,045,848</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year.	1,369,024	-	1,369,024
Pension and OPEB.	1,244,889	268,134	1,513,023
Payments in lieu of taxes levied for the next fiscal year.	566,862	-	566,862
Total deferred inflows of resources	<u>3,180,775</u>	<u>268,134</u>	<u>3,448,909</u>
Net position:			
Investment in capital assets.	32,693,495	17,856,053	50,549,548
Restricted for:			
Matured bond and interest.	6,069	-	6,069
Street construction and maintenance.	712,502	-	712,502
Public safety.	24,516	-	24,516
Capital improvements.	433,269	-	433,269
Other purposes.	139,606	-	139,606
Unrestricted.	<u>916,298</u>	<u>3,316,849</u>	<u>4,233,147</u>
Total net position	<u>\$ 34,925,755</u>	<u>\$ 21,172,902</u>	<u>\$ 56,098,657</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
Current:				
General government.	\$ 2,336,173	\$ 378,284	\$ -	\$ -
Security of persons and property . . .	8,164,404	1,513,130	25,388	-
Public health and welfare	3,883	-	-	-
Transportation.	4,441,248	34,460	776,445	-
Community environment	686,529	75,990	-	-
Leisure time activity.	519,065	39,662	2,520	170,918
Total governmental activities	<u>16,151,302</u>	<u>2,041,526</u>	<u>804,353</u>	<u>170,918</u>
Business-type activities:				
Water.	2,318,904	1,387,241	-	238,501
Sewer.	1,540,369	1,361,639	-	-
Solid waste.	854,993	865,617	-	-
Total business-type activities	<u>4,714,266</u>	<u>3,614,497</u>	<u>-</u>	<u>238,501</u>
Total primary government	<u>\$ 20,865,568</u>	<u>\$ 5,656,023</u>	<u>\$ 804,353</u>	<u>\$ 409,419</u>

General revenues:

Property taxes levied for:

General purposes

Fire and rescue.

Police.

Police pension.

Income taxes levied for:

General purposes

Payments in lieu of taxes

Grants and entitlements not restricted

to specific programs

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position at beginning of year (restated).

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (1,957,889)	\$ -	\$ (1,957,889)
(6,625,886)	-	(6,625,886)
(3,883)	-	(3,883)
(3,630,343)	-	(3,630,343)
(610,539)	-	(610,539)
(305,965)	-	(305,965)
<u>(13,134,505)</u>	<u>-</u>	<u>(13,134,505)</u>
-	(693,162)	(693,162)
-	(178,730)	(178,730)
-	10,624	10,624
<u>-</u>	<u>(861,268)</u>	<u>(861,268)</u>
<u>(13,134,505)</u>	<u>(861,268)</u>	<u>(13,995,773)</u>
881,348	-	881,348
498,110	-	498,110
224,316	-	224,316
69,320	-	69,320
7,139,080	-	7,139,080
421,899	-	421,899
445,667	-	445,667
260,850	31,480	292,330
48,678	71,564	120,242
<u>9,989,268</u>	<u>103,044</u>	<u>10,092,312</u>
(3,145,237)	(758,224)	(3,903,461)
<u>38,070,992</u>	<u>21,931,126</u>	<u>60,002,118</u>
<u>\$ 34,925,755</u>	<u>\$ 21,172,902</u>	<u>\$ 56,098,657</u>

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	<u>General</u>	<u>Fire & Rescue</u>	<u>Police</u>	<u>Street</u>
Assets:				
Equity in pooled cash and investments	\$ 4,889,064	\$ 386,245	\$ 463,454	\$ 930,672
Receivables:				
Income taxes	1,577,905	-	-	-
Real and other taxes	626,903	485,185	219,075	-
Payments in lieu of taxes	-	-	-	-
Accounts	59,540	439,901	-	15,930
Special assessments	112,597	-	-	-
Interfund loans	880,960	-	-	-
Accrued interest	87,089	-	-	-
Due from other governments	129,256	43,508	27,499	259,179
Advances to other funds	718,200	-	-	-
Materials and supplies inventory	-	-	-	84,267
Prepayments	29,280	20,461	36,714	14,275
Total assets	<u>\$ 9,110,794</u>	<u>\$ 1,375,300</u>	<u>\$ 746,742</u>	<u>\$ 1,304,323</u>
Liabilities:				
Accounts payable	\$ 41,830	\$ 24,608	\$ 13,089	\$ 34,113
Accrued wages and benefits payable	36,266	51,785	70,496	25,692
Interfund loans payable	-	-	-	-
Advances from other funds	-	-	-	-
Due to other governments	41,967	42,208	58,951	14,730
Total liabilities	<u>120,063</u>	<u>118,601</u>	<u>142,536</u>	<u>74,535</u>
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	613,635	474,918	214,550	-
Delinquent property tax revenue not available	13,268	10,267	4,525	-
Payments in lieu of taxes levied for the next fiscal year	-	-	-	-
Accrued interest not available	87,089	-	-	-
Special assessments revenue not available	112,597	-	-	-
Miscellaneous revenue not available	50,076	371,210	11,327	22,848
Income tax revenue not available	1,104,787	-	-	-
Intergovernmental revenue not available	109,504	34,523	14,594	209,884
Total deferred inflows of resources	<u>2,090,956</u>	<u>890,918</u>	<u>244,996</u>	<u>232,732</u>
Fund balances:				
Nonspendable	747,480	20,461	36,714	98,542
Restricted	-	345,320	322,496	898,514
Committed	-	-	-	-
Assigned	2,492,419	-	-	-
Unassigned	3,659,876	-	-	-
Total fund balances	<u>6,899,775</u>	<u>365,781</u>	<u>359,210</u>	<u>997,056</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,110,794</u>	<u>\$ 1,375,300</u>	<u>\$ 746,742</u>	<u>\$ 1,304,323</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ 5,935,216	\$ 896,573	\$ 13,501,224
-	-	1,577,905
-	67,365	1,398,528
226,636	357,319	583,955
-	-	515,371
349	211,657	324,603
1,755,000	-	2,635,960
-	-	87,089
185,240	57,738	702,420
-	-	718,200
-	-	84,267
-	7,225	107,955
<u>\$ 8,102,441</u>	<u>\$ 1,597,877</u>	<u>\$ 22,237,477</u>
\$ 233,208	\$ 44,403	\$ 391,251
-	17,822	202,061
880,960	-	880,960
718,200	-	718,200
-	10,493	168,349
<u>1,832,368</u>	<u>72,718</u>	<u>2,360,821</u>
-	65,921	1,369,024
-	1,444	29,504
226,636	357,319	583,955
-	-	87,089
349	197,865	310,811
-	3,192	458,653
-	-	1,104,787
185,240	21,957	575,702
<u>412,225</u>	<u>647,698</u>	<u>4,519,525</u>
-	7,225	910,422
433,269	870,236	2,869,835
2,607,099	-	2,607,099
2,817,480	-	5,309,899
-	-	3,659,876
<u>5,857,848</u>	<u>877,461</u>	<u>15,357,131</u>
<u>\$ 8,102,441</u>	<u>\$ 1,597,877</u>	<u>\$ 22,237,477</u>

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**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2018

Total governmental fund balances	\$	15,357,131
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities (excluding internal service funds capital assets) are not financial resources and therefore are not reported in the funds.		31,662,512
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Income taxes receivable	\$ 1,104,787	
Real and other taxes receivable	29,504	
PILOT taxes receivable	17,093	
Accounts receivable	458,653	
Intergovernmental receivable	575,702	
Special assessments receivable	310,811	
Accrued interest receivable	87,089	
Total		2,583,639
The net pension asset is not available to pay for current period expenditures; therefore, the asset is not reported in the governmental funds.		20
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.		(8,077,008)
The net OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		(6,851,550)
An internal service fund is used by management to charge the costs of the government center and service center to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position. The net position of the internal service funds, including internal balances of \$11,334, are:		894,922
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(643,911)
Net position of governmental activities	\$	34,925,755

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General</u>	<u>Fire & Rescue</u>	<u>Police</u>	<u>Street</u>
Revenues:				
Municipal income taxes	\$ 7,073,119	\$ -	\$ -	\$ -
Property and other taxes.	882,060	498,645	224,538	-
Charges for services.	191,174	759,623	-	-
Licenses and permits	148,129	-	-	-
Fines and forfeitures	-	-	15,169	-
Intergovernmental.	311,576	88,933	31,577	526,189
Special assessments	35,824	-	-	-
Investment income.	324,375	-	-	19,865
Rental income	12,811	-	-	-
Contributions and donations.	4,220	-	1,200	-
Payment in lieu of taxes.	-	-	-	-
Decrease in fair value of investments	(66,408)	-	-	-
Other	54,376	29,357	44,460	19,522
Total revenues	<u>8,971,256</u>	<u>1,376,558</u>	<u>316,944</u>	<u>565,576</u>
Expenditures:				
Current:				
General government	1,392,983	-	-	-
Security of persons and property	-	2,404,768	3,231,926	-
Public health and welfare.	3,138	-	-	-
Transportation	496,375	-	-	2,136,773
Community environment	569,368	-	-	-
Leisure time activity	366,998	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>2,828,862</u>	<u>2,404,768</u>	<u>3,231,926</u>	<u>2,136,773</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>6,142,394</u>	<u>(1,028,210)</u>	<u>(2,914,982)</u>	<u>(1,571,197)</u>
Other financing sources (uses):				
Sale of capital assets.	55,388	-	883	-
Transfers in	-	955,000	3,000,000	1,100,000
Transfers (out).	(6,034,250)	-	-	-
Total other financing sources (uses)	<u>(5,978,862)</u>	<u>955,000</u>	<u>3,000,883</u>	<u>1,100,000</u>
Net change in fund balances	163,532	(73,210)	85,901	(471,197)
Fund balances at beginning of year	6,736,243	438,991	273,309	1,503,900
Decrease in reserve for inventory	-	-	-	(35,647)
Fund balances at end of year	<u>\$ 6,899,775</u>	<u>\$ 365,781</u>	<u>\$ 359,210</u>	<u>\$ 997,056</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Capital Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 7,073,119
-	69,401	1,674,644
-	575,809	1,526,606
-	-	148,129
-	677	15,846
122,528	225,211	1,306,014
-	134,531	170,355
-	1,515	345,755
3,316	-	16,127
-	-	5,420
63,923	340,883	404,806
-	-	(66,408)
128	19,478	167,321
<u>189,895</u>	<u>1,367,505</u>	<u>12,787,734</u>
-	200,793	1,593,776
-	869,805	6,506,499
-	-	3,138
-	128,788	2,761,936
-	-	569,368
-	-	366,998
<u>3,567,585</u>	<u>321,204</u>	<u>3,888,789</u>
<u>3,567,585</u>	<u>1,520,590</u>	<u>15,690,504</u>
<u>(3,377,690)</u>	<u>(153,085)</u>	<u>(2,902,770)</u>
-	-	56,271
903,663	300,000	6,258,663
-	(224,413)	(6,258,663)
<u>903,663</u>	<u>75,587</u>	<u>56,271</u>
(2,474,027)	(77,498)	(2,846,499)
8,331,875	954,959	18,239,277
-	-	(35,647)
<u>\$ 5,857,848</u>	<u>\$ 877,461</u>	<u>\$ 15,357,131</u>

**CITY OF ENGLEWOOD
MONTGOMERY 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, 2018

Net change in fund balances - total governmental funds	\$	(2,846,499)
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures.		
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation in the current period.		
Capital asset additions	\$ 3,519,778	
Current year depreciation	<u>(2,173,952)</u>	
Total		1,345,826
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(45,001)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	65,961	
Delinquent property taxes and PILOTS	15,543	
Intergovernmental revenues	51,869	
Special assessments	(8,451)	
Investment income	2,883	
Other	79,256	
Total	<u>207,061</u>	207,061
Governmental funds report expenditures for inventory when purchased; however in the statement of activities, they are reported as an expense when consumed.		
		(35,647)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(96,396)
Contractually required pension and OPEB contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		851,270
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability and net OPEB liability are reported as pension and OPEB expense in the statement of activities.		
		(2,414,990)
The internal service fund used by management to charge the costs of the government center and service center to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		
		<u>(110,861)</u>
Change in net position of governmental activities	\$	<u>(3,145,237)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Municipal income taxes	\$ 7,022,883	\$ 7,065,063	\$ 7,114,991	\$ 49,928
Property and other taxes.	875,295	880,552	886,775	6,223
Charges for services.	188,699	189,832	191,174	1,342
Licenses and permits	146,212	147,090	148,130	1,040
Intergovernmental.	307,344	309,190	311,375	2,185
Special assessments	35,360	35,573	35,824	251
Investment income.	301,383	303,193	305,336	2,143
Donations.	1,678	1,688	1,700	12
Other	37,989	38,217	38,487	270
Total revenues	<u>8,916,843</u>	<u>8,970,398</u>	<u>9,033,792</u>	<u>63,394</u>
Expenditures:				
Current:				
General government	1,436,235	1,593,154	1,551,141	42,013
Public health and welfare.	14,555	16,145	3,616	12,529
Community environment	610,707	677,431	613,556	63,875
Leisure time activity	220,847	244,977	203,627	41,350
Total expenditures	<u>2,282,344</u>	<u>2,531,707</u>	<u>2,371,940</u>	<u>159,767</u>
Excess of revenues over expenditures.	<u>6,634,499</u>	<u>6,438,691</u>	<u>6,661,852</u>	<u>223,161</u>
Other financing sources (uses):				
Sale of capital assets.	52,822	53,139	53,515	376
Advances in.	18,409	18,519	18,650	131
Advances out.	(1,064,640)	(1,180,960)	(880,960)	300,000
Transfers out.	(6,281,682)	(6,968,000)	(6,399,250)	568,750
Total other financing sources (uses)	<u>(7,275,091)</u>	<u>(8,077,302)</u>	<u>(7,208,045)</u>	<u>869,257</u>
Net change in fund balances	(640,592)	(1,638,611)	(546,193)	1,092,418
Fund balances at beginning of year	3,661,378	3,661,378	3,661,378	-
Prior year encumbrances appropriated	63,574	63,574	63,574	-
Fund balance at end of year	<u>\$ 3,084,360</u>	<u>\$ 2,086,341</u>	<u>\$ 3,178,759</u>	<u>\$ 1,092,418</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
FIRE AND RESCUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property and other taxes.	\$ 486,696	\$ 486,696	\$ 498,645	\$ 11,949
Charges for services.	855,000	855,000	744,948	(110,052)
Intergovernmental.	74,809	74,809	88,933	14,124
Other	6,750	6,750	29,444	22,694
Total revenues	<u>1,423,255</u>	<u>1,423,255</u>	<u>1,361,970</u>	<u>(61,285)</u>
Expenditures:				
Current:				
Security of persons and property	2,451,003	2,511,003	2,443,554	67,449
Total expenditures	<u>2,451,003</u>	<u>2,511,003</u>	<u>2,443,554</u>	<u>67,449</u>
Excess of expenditures over revenues.	<u>(1,027,748)</u>	<u>(1,087,748)</u>	<u>(1,081,584)</u>	<u>6,164</u>
Other financing sources:				
Transfers in	955,000	955,000	955,000	-
Total other financing sources.	<u>955,000</u>	<u>955,000</u>	<u>955,000</u>	<u>-</u>
Net change in fund balances	(72,748)	(132,748)	(126,584)	6,164
Fund balances at beginning of year	410,625	410,625	410,625	-
Prior year encumbrances appropriated	57,375	57,375	57,375	-
Fund balance at end of year	<u>\$ 395,252</u>	<u>\$ 335,252</u>	<u>\$ 341,416</u>	<u>\$ 6,164</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
POLICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Property and other taxes	\$ 218,941	\$ 218,941	\$ 224,538	\$ 5,597
Fines and forfeitures	16,000	16,000	15,127	(873)
Intergovernmental.	31,340	31,340	38,997	7,657
Contributions and donations.	-	-	1,200	1,200
Other	10,275	10,275	44,365	34,090
Total revenues	<u>276,556</u>	<u>276,556</u>	<u>324,227</u>	<u>47,671</u>
Expenditures:				
Current:				
Security of persons and property	<u>3,348,358</u>	<u>3,378,358</u>	<u>3,282,413</u>	<u>95,945</u>
Total expenditures	<u>3,348,358</u>	<u>3,378,358</u>	<u>3,282,413</u>	<u>95,945</u>
Excess of expenditures over revenues.	<u>(3,071,802)</u>	<u>(3,101,802)</u>	<u>(2,958,186)</u>	<u>143,616</u>
Other financing sources:				
Sale of capital assets.	1,500	1,500	883	(617)
Transfers in	<u>3,000,000</u>	<u>3,000,000</u>	<u>3,000,000</u>	<u>-</u>
Total other financing sources.	<u>3,001,500</u>	<u>3,001,500</u>	<u>3,000,883</u>	<u>(617)</u>
Net change in fund balances	(70,302)	(100,302)	42,697	142,999
Fund balances at beginning of year	342,407	342,407	342,407	-
Prior year encumbrances appropriated	26,536	26,536	26,536	-
Fund balance at end of year	<u>\$ 298,641</u>	<u>\$ 268,641</u>	<u>\$ 411,640</u>	<u>\$ 142,999</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREET FUND
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental	\$ 513,375	\$ 513,375	\$ 520,182	\$ 6,807
Investment income	10,000	10,000	19,865	9,865
Other	5,500	5,500	19,465	13,965
Total revenues	<u>528,875</u>	<u>528,875</u>	<u>559,512</u>	<u>30,637</u>
Expenditures:				
Current:				
Transportation	1,985,968	2,506,468	2,302,349	204,119
Total expenditures	<u>1,985,968</u>	<u>2,506,468</u>	<u>2,302,349</u>	<u>204,119</u>
Excess of expenditures over revenues	<u>(1,457,093)</u>	<u>(1,977,593)</u>	<u>(1,742,837)</u>	<u>234,756</u>
Other financing sources:				
Transfers in	1,200,000	1,200,000	1,100,000	(100,000)
Total other financing sources	<u>1,200,000</u>	<u>1,200,000</u>	<u>1,100,000</u>	<u>(100,000)</u>
Net change in fund balances	(257,093)	(777,593)	(642,837)	134,756
Fund balances at beginning of year	1,367,383	1,367,383	1,367,383	-
Prior year encumbrances appropriated	16,783	16,783	16,783	-
Fund balance at end of year	<u>\$ 1,127,073</u>	<u>\$ 606,573</u>	<u>\$ 741,329</u>	<u>\$ 134,756</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Solid Waste	Total	
Assets:					
Current assets:					
Equity in pooled cash and investments.	\$ 3,845,512	\$ 2,122,050	\$ 578,457	\$ 6,546,019	\$ 411,154
Receivables:					
Accounts.	206,479	213,794	-	420,273	-
Special assessments	8,814	8,814	16,087	33,715	-
Due from other governments.	204,954	6,345	-	211,299	5,030
Materials and supplies inventory.	55,476	47,752	-	103,228	21,914
Prepayments	15,801	7,839	398	24,038	5,099
Net pension asset.	3	3	-	6	2
Total current assets	<u>4,337,039</u>	<u>2,406,597</u>	<u>594,942</u>	<u>7,338,578</u>	<u>443,199</u>
Noncurrent assets:					
Capital assets:					
Land and construction in progress.	265,768	311,924	-	577,692	130,849
Depreciable capital assets, net.	9,670,869	7,470,627	136,865	17,278,361	900,134
Total capital assets, net.	<u>9,936,637</u>	<u>7,782,551</u>	<u>136,865</u>	<u>17,856,053</u>	<u>1,030,983</u>
Total noncurrent assets	<u>9,936,637</u>	<u>7,782,551</u>	<u>136,865</u>	<u>17,856,053</u>	<u>1,030,983</u>
Total assets	<u>14,273,676</u>	<u>10,189,148</u>	<u>731,807</u>	<u>25,194,631</u>	<u>1,474,182</u>
Deferred outflows of resources:					
Pension.	126,773	111,633	15,661	254,067	79,370
OPERS.	30,951	28,508	4,687	64,146	17,996
Total deferred outflows of resources	<u>157,724</u>	<u>140,141</u>	<u>20,348</u>	<u>318,213</u>	<u>97,366</u>
Liabilities:					
Current liabilities:					
Accounts payable.	491,980	49,759	63,690	605,429	17,605
Accrued wages and benefits payable	14,356	12,882	1,456	28,694	9,910
Due to other governments	8,568	7,430	710	16,708	5,736
Interfund loans payable.	1,755,000	-	-	1,755,000	-
Compensated absences payable - current.	22,343	19,614	1,002	42,959	8,609
Unearned revenue.	-	-	77,572	77,572	-
Total current liabilities	<u>2,292,247</u>	<u>89,685</u>	<u>144,430</u>	<u>2,526,362</u>	<u>41,860</u>
Long-term liabilities:					
Compensated absences payable	13,885	6,847	-	20,732	52,991
Net OPEB liability.	303,503	258,959	31,812	594,274	197,983
Net pension liability.	469,398	400,507	49,201	919,106	306,202
Total long-term liabilities	<u>786,786</u>	<u>666,313</u>	<u>81,013</u>	<u>1,534,112</u>	<u>557,176</u>
Total liabilities	<u>3,079,033</u>	<u>755,998</u>	<u>225,443</u>	<u>4,060,474</u>	<u>599,036</u>
Deferred inflows of resources:					
OPEB.	22,609	19,291	2,370	44,270	14,796
Pension.	112,429	98,274	13,161	223,864	74,128
Total deferred inflows of resources	<u>135,038</u>	<u>117,565</u>	<u>15,531</u>	<u>268,134</u>	<u>88,924</u>
Net position:					
Investment in capital assets.	9,936,637	7,782,551	136,865	17,856,053	1,030,983
Unrestricted	1,280,692	1,673,175	374,316	3,328,183	(147,395)
Total net position.	<u>\$ 11,217,329</u>	<u>\$ 9,455,726</u>	<u>\$ 511,181</u>	<u>21,184,236</u>	<u>\$ 883,588</u>
Adjustment to reflect the consolidation of the internal service funds activities related to enterprise funds.				(11,334)	
Net position of business-type activities				<u>\$ 21,172,902</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Business-type Activities - Enterprise Funds</u>				Governmental Activities - Internal Service Funds
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	
Operating revenues:					
Charges for services	\$ 1,378,055	\$ 1,353,634	\$ 865,617	\$ 3,597,306	\$ 854,224
Tap-in fees.	9,186	8,005	-	17,191	-
Other operating revenues	20,282	46,064	-	66,346	21,185
Total operating revenues.	<u>1,407,523</u>	<u>1,407,703</u>	<u>865,617</u>	<u>3,680,843</u>	<u>875,409</u>
Operating expenses:					
Personal services	632,193	539,717	61,247	1,233,157	395,846
Contract services.	902,565	380,229	765,760	2,048,554	213,217
Materials and supplies.	167,268	59,596	237	227,101	281,682
Depreciation.	620,156	445,946	28,620	1,094,722	87,966
Other	-	118,291	-	118,291	-
Total operating expenses.	<u>2,322,182</u>	<u>1,543,779</u>	<u>855,864</u>	<u>4,721,825</u>	<u>978,711</u>
Operating income/(loss).	<u>(914,659)</u>	<u>(136,076)</u>	<u>9,753</u>	<u>(1,040,982)</u>	<u>(103,302)</u>
Nonoperating revenues:					
Gain on sale of assets.	4,793	425	-	5,218	-
Interest income.	15,284	16,196	-	31,480	-
Total nonoperating revenues.	<u>20,077</u>	<u>16,621</u>	<u>-</u>	<u>36,698</u>	<u>-</u>
Income (loss) before contributions.	(894,582)	(119,455)	9,753	(1,004,284)	(103,302)
Capital contributions.	<u>238,501</u>	<u>-</u>	<u>-</u>	<u>238,501</u>	<u>-</u>
Change in net position	(656,081)	(119,455)	9,753	(765,783)	(103,302)
Net position at beginning of year (restated).	<u>11,873,410</u>	<u>9,575,181</u>	<u>501,428</u>		<u>986,890</u>
Net position at end of year	<u>\$ 11,217,329</u>	<u>\$ 9,455,726</u>	<u>\$ 511,181</u>		<u>\$ 883,588</u>
Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.				<u>7,559</u>	
Change in net position of business-type activities				<u>\$ (758,224)</u>	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Water	Sewer	Solid Waste	Total	
Cash flows from operating activities:					
Cash received from customers	\$ 1,373,378	\$ 1,355,323	\$ 869,876	\$ 3,598,577	\$ 856,411
Cash received from tap-in fees	9,186	8,005	-	17,191	-
Cash received from other operations	15,661	39,822	-	55,483	16,232
Cash payments for personal services	(557,106)	(476,994)	(56,676)	(1,090,776)	(358,692)
Cash payments for contractual services	(430,880)	(320,801)	(702,070)	(1,453,751)	(206,435)
Cash payments for materials and supplies	(140,476)	(120,553)	(697)	(261,726)	(275,550)
Cash payments for other expenses	-	(118,291)	-	(118,291)	-
Net cash provided by operating activities	<u>269,763</u>	<u>366,511</u>	<u>110,433</u>	<u>746,707</u>	<u>31,966</u>
Cash flows from noncapital financing activities:					
Cash received from interfund loans	<u>1,755,000</u>	-	-	<u>1,755,000</u>	-
Net cash provided by noncapital financing activities	<u>1,755,000</u>	-	-	<u>1,755,000</u>	-
Cash flows from capital and related financing activities:					
Sale of capital assets	10,267	425	-	10,692	-
Acquisition of capital assets	(477,627)	(280,553)	-	(758,180)	(6,032)
Cash received from capital grants	<u>170,748</u>	-	-	<u>170,748</u>	-
Net cash used in capital and related financing activities	<u>(296,612)</u>	<u>(280,128)</u>	-	<u>(576,740)</u>	<u>(6,032)</u>
Cash flows from investing activities:					
Interest received	<u>15,284</u>	<u>16,196</u>	-	<u>31,480</u>	-
Net cash provided by investing activities	<u>15,284</u>	<u>16,196</u>	-	<u>31,480</u>	-
Net increase (decrease) in cash and cash equivalents	1,743,435	102,579	110,433	1,956,447	25,934
Cash and cash equivalents at beginning of year . . .	<u>2,102,077</u>	<u>2,019,471</u>	<u>468,024</u>	<u>4,589,572</u>	<u>385,220</u>
Cash and cash equivalents at end of year	<u><u>\$ 3,845,512</u></u>	<u><u>\$ 2,122,050</u></u>	<u><u>\$ 578,457</u></u>	<u><u>\$ 6,546,019</u></u>	<u><u>\$ 411,154</u></u>

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**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Business-type Activities - Enterprise Funds</u>				<u>Governmental Activities - Internal Service Funds</u>
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>	
Reconciliation of operating income (loss) to net cash provided by operating activities:					
Operating income/(loss)	\$ (914,659)	\$ (136,076)	\$ 9,753	\$ (1,040,982)	\$ (103,302)
Adjustments:					
Depreciation	620,156	445,946	28,620	1,094,722	87,966
Changes in assets and liabilities:					
Decrease(Increase) in materials and supplies inventory	25,297	(4,041)	-	21,256	2,309
Decrease (increase) in accounts receivable	(1,516)	4,638	-	3,122	-
(Increase) in net pension asset	(2)	(2)	-	(4)	(1)
Decrease (increase) in special assessments receivable	(2,949)	(2,949)	2,647	(3,251)	-
(Increase) in intergovernmental receivable	(4,833)	(6,242)	-	(11,075)	(2,766)
Decrease (increase) in prepayments	(1,867)	(2,235)	(361)	(4,463)	(1,069)
Decrease in deferred outflows - pension	126,160	101,282	8,856	236,298	89,402
(Increase) in deferred outflows - OPEB	(26,926)	(25,120)	(4,297)	(56,343)	(15,321)
Increase (decrease) in accounts payable	473,180	2,512	63,230	538,922	(6,513)
Increase (decrease) in accrued wages and benefits	(334)	342	(34)	(26)	341
Increase (decrease) in intergovernmental payable	169	272	(123)	318	116
Increase (decrease) in compensated absences payable	(5,194)	(5,823)	(3,724)	(14,741)	3,840
Increase in deferred inflows - pension	103,950	86,579	9,660	200,189	67,038
Increase in deferred inflows - OPEB	22,609	19,291	2,370	44,270	14,796
(Decrease) in net pension liability	(177,800)	(144,249)	(13,507)	(335,556)	(123,947)
Increase in net OPEB liability	34,322	32,386	5,731	72,439	19,077
Increase in unearned revenue	-	-	1,612	1,612	-
Net cash provided by operating activities	<u>\$ 269,763</u>	<u>\$ 366,511</u>	<u>\$ 110,433</u>	<u>\$ 746,707</u>	<u>\$ 31,966</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF ENGLEWOOD
MONTGOMERY COUNTY, OHIO**

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
DECEMBER 31, 2018

	Agency
Assets:	
Current assets:	
Equity in pooled cash and investments.	\$ 6,920
Total assets	\$ 6,920
Liabilities:	
Undistributed monies.	\$ 4,611
Accounts payable.	132
Intergovernmental payable.	2,177
Total liabilities	\$ 6,920

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 1 - DESCRIPTION OF THE CITY

The City of Englewood (the "City") is a charter municipal corporation operating under the laws of the State of Ohio. The City was incorporated as a village in 1914 and became a City on February 12, 1971, after adopting the charter on November 3, 1970.

The municipal government provided by the charter is known as a Council-Manager form of government. Legislative power is vested in a seven-member council, each elected to four-year terms. One of the members shall be known as the Mayor and the remaining six members as Councilmen. The Council appoints the City Manager and the Clerk of Council. The City Manager is the chief executive officer and the head of the administrative agencies of the City. He appoints all department heads and employees, except as otherwise provided in the charter.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City's accounting policies are described below.

A. Reporting Entity

For financial reporting purposes, the City's BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization's Governing Board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected Governing Board, a Governing Board appointed by another government, or a jointly appointed Board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's basic financial statements to be misleading or incomplete. The City has no component units.

The primary government consists of all funds and departments which provide various services including public safety services, street maintenance and repair, parks, recreation, water, sewer and refuse services. Council and the City Manager are directly responsible for these activities.

Insurance Purchasing Pool

The Miami Valley Risk Management Association, Inc. (MVRMA) is a risk sharing insurance pool established for the purpose of enabling the subscribing political subdivisions to obtain liability insurance and providing a formalized, jointly administered self-insurance fund for its members. The members formed a not-for-profit corporation known as Miami Valley Risk Management Association, Inc. for the purpose of administering the pool. The subscribing members of the self-insurance pool include the Cities of Beavercreek, Bellbrook, Blue Ash, Centerville, Englewood, Kettering, Madeira, Mason, Miamisburg, Montgomery, Piqua, Sidney, Springdale, Tipp City, Troy, Vandalia, West Carrollton, Wilmington, and Wyoming, and the Village of Indian Hill. The City has no explicit and measurable equity interest in MVRMA and no ongoing financial responsibility for MVRMA. See Note 14 for additional information.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

B. Basis of Presentation

The City's (BFS) 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, except for fiduciary funds. The activities of the internal service funds are 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 activities.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw 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. The internal service funds are presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

C. Fund Accounting

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Fire and rescue - The fire and rescue fund accounts for all transactions relating to fire and emergency services.

Police - The police fund accounts for all transactions relating to the police department.

Street - The street fund accounts for all transactions relating to street maintenance and construction.

Capital improvement - To account for resources used to purchase equipment and construct capital assets.

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

Proprietary Funds - Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

Water - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Sewer - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

Solid waste - This fund accounts for the operations providing solid waste removal to the residents and commercial users located within the City.

Internal service funds - The 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 funds report on the operations of the government center and the service center.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds. The Agency funds hold monies for contractor and insurance bond deposits, hydrant meter deposits, and building assessment fees collected on behalf of the State of Ohio.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Measurement Focus and Basis of Accounting

Government-Wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, all deferred outflows of resources, all liabilities and all deferred inflows of resources associated with the operation of the City are included on the statement of net position.

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities and operating expenses for the internal service fund include personnel costs and administrative expenses incurred to provide the good or service that are the primary activity of the fund. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

E. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal 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-one days of year end.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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 (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from 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, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, see Notes 15 and 16 for deferred outflows of resources related the City's net pension liability and net OPEB liability, respectively.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the City, see Notes 15 and 16 for deferred inflows of resources related to the City's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The legal level of budgetary control is at the department level of each fund and within each department personal services. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

Tax Budget - During the first Council meeting in July, the City Manager presents the following year's annual operating budget to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. The Montgomery County Budget Commission waived the tax budget filing requirement for 2018.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to January 1, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2018.

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the department level of each fund and within each department personal services. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations at the legal level of control for a fund may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the final appropriation amounts, including all amendments and modifications legally enacted by Council.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Cash and Cash Equivalents

Cash balances of the City's funds are pooled and invested in investments maturing within five years in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the balance sheet as "equity in pooled cash and investments" on the financial statements.

During 2018, the City invested in STAR Ohio and federal agency securities. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2018 amounted to \$324,375, which included \$238,516 assigned from other funds of the City.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

An analysis of the City's investment account at year end is provided in Note 4.

H. Inventories of Materials and Supplies

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Inventories of the proprietary funds are expensed when used.

I. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of thoroughfares, street lights, curbs, gutters, sidewalks, storm sewers, bridges, street signs, traffic signals and controls, meters and water and sewer lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

All reported capital assets are depreciated except for land, construction in progress and easements with an indefinite useful life. 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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Improvements to land	15 - 20 years	15 - 20 years
Buildings	20 - 45 years	20 - 45 years
Equipment	5 - 30 years	5 - 30 years
Vehicles	3 - 10 years	3 - 10 years
Infrastructure:		
Water and Sewer Lines	50 years	50 years
Bridges	40 years	n/a
Thoroughfares/Curbs/Gutters/Sidewalks/Street Lights	30 years	n/a
Storm Sewers	25 years	25 years
Traffic Signals and Controls and Meters	15 years	15 years
Street Signs	10 years	n/a
Software	5 - 10 years	5 - 10 years

K. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In conformity with GASB Statement No. 16, “Accounting for Compensated Absences”, vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

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

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

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 and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

M. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loan receivables/payables”. On fund financial statements, receivables and payables resulting from long-term interfund loans are classified as “advances to/from other funds”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

N. 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 BFS.

O. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally 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.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance) 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 nor 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 City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

P. Estimates

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

Q. Net Position

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

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

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 2018.

S. Pensions/Other Postemployment Benefits (OPEB)

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

T. Fair Value Measurements

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles/Restatement of Net Position

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

GASB Statement No. 75 improves the accounting and financial reporting by state and local governments for postemployment benefits other than pensions (OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. The implementation of GASB Statement No. 75 effected the City’s postemployment benefit plan disclosures, as presented in Note 16 to the basic financial statements, and added required supplementary information which is presented after the notes to the basic financial statements.

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

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

A net position restatement is required in order to implement GASB Statement No 75. The governmental activities and business-type activities at January 1, 2018 have been restated as follows:

	<u>Governmental Activities</u>	<u>Internal Service Funds</u>		
Net position as previously reported	\$ 44,332,416	\$ 1,163,121		
Deferred outflows - payments subsequent to measurement date	39,769	2,675		
Net OPEB liability	<u>(6,301,193)</u>	<u>(178,906)</u>		
Restated net position at January 1, 2018	<u>\$ 38,070,992</u>	<u>\$ 986,890</u>		
	<u>Business-Type Activities</u>	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>
Net position as previously reported	\$ 22,445,158	\$ 12,138,566	\$ 9,798,366	\$ 527,119
Deferred outflows - payments subsequent to measurement date	7,803	4,025	3,388	390
Net OPEB liability	<u>(521,835)</u>	<u>(269,181)</u>	<u>(226,573)</u>	<u>(26,081)</u>
Restated net position at January 1, 2018	<u>\$ 21,931,126</u>	<u>\$ 11,873,410</u>	<u>\$ 9,575,181</u>	<u>\$ 501,428</u>

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

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

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

Interim monies may be deposited or invested in the following securities in accordance with the City's investment policy:

- A. Bonds, notes or other obligations of or guaranteed by the United States, or those for which the faith of the United States is pledged for the payment of principal and interest thereon;
- B. Bonds, notes, debentures or any other obligations or securities issued by any Federal Government agency, instrumentality, or Government Sponsored Enterprise;
- C. Deposits in eligible financial institutions;
- D. Bankers' acceptances issued by banks ranked within the top 100 banks, based upon asset size, or issued by banks within the State of Ohio with at least two billion dollars (\$2,000,000,000) in assets;
- E. Commercial paper which, when purchased, is rated at least P-1 by Moody's Investor Services and A-1 by Standard and Poor's, and corporate notes and other debt which, when purchased, is rated AA or better by Moody's Investor Services and/or Standard and Poor's;
- F. Bonds, notes or other obligations of the State of Ohio and its political subdivisions;
- G. The State Treasury Assets Reserve of Ohio (STAR Ohio);
- H. No-load money market mutual funds consisting exclusively of obligations described in paragraphs A. and B. hereof; and,

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

- I. Repurchase agreements with institutions which have executed a master repurchase agreement, entered into between the City and that particular institution. Each master repurchase agreement will provide for:
 1. Collateralization of each repurchase agreement consisting exclusively of obligations described in paragraphs A. and B. hereof, the market value of which shall not be less than 102 percent of the principal amount of each repurchase agreement plus accrued interest;
 2. Safekeeping of the collateral by the City's third-party safekeeping agent; and,
 3. Settlement of each repurchase agreement on a delivery-versus-payment basis. Master repurchase agreements may provide for substitution of collateral by the broker/dealer with the agreement of the City.

Securities which are specifically prohibited for investment include interest-only, mortgage-backed securities or other securities for which there exists a hypothetical mathematical possibility of a negative yield, excluding default risk, if the security is held to maturity.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the City.

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, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

A. Cash on hand

At year end, the City had \$1,100 in undeposited cash on hand which is included on the financial statements of the City as part of "equity in pooled cash and investments".

B. Deposits with Financial Institutions

At December 31, 2018, the carrying amount of all City deposits was \$783,374 and the bank balance of all City deposits was \$1,063,330. Of the bank balance, \$766,932 was exposed to custodial risk as discussed below because those deposits were uninsured and \$296,398 was covered by the FDIC.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. For 2018, the City's financial institutions were approved for a reduced collateral rate of 50 percent through the OPCS. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Investments

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

Measurement/ <u>Investment type</u>	Measurement <u>Amount</u>	<u>Investment Maturities</u>		
		<u>6 months or less</u>	<u>Greater than 24 months</u>	<u>Total</u>
<i>Amortized Cost:</i>				
STAR Ohio	\$ 1,445,086	\$ 1,445,086	\$ -	\$ 1,445,086
<i>Fair Value:</i>				
FNMA	1,488,435	-	1,488,435	1,488,435
FHLMC	12,773,902	-	12,773,902	12,773,902
FHLB	3,973,420	-	3,973,420	3,973,420
Total	<u>\$ 19,680,843</u>	<u>\$ 1,445,086</u>	<u>\$ 18,235,757</u>	<u>\$ 19,680,843</u>

The City's investments in federal agency securities (FHLMC, FNMA, FHLB) are valued using quoted prices in markets that are not considered to be active, dealer quotations or alternative pricing sources for similar assets or liabilities for which all significant inputs are observable, either directly or indirectly (Level 2 inputs). The weighted average maturity of investments is 3.14 years.

Interest Rate Risk: Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment. Unless matched to a specific cash flow requirement, the City will not directly invest in securities maturing more than five years from the month of settlement.

Credit Risk: The City's investments, except for STAR Ohio, were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. The City's investment policy limits its investments to those authorized by Englewood Codified Ordinance 236.07. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City's investment policy requires commercial paper, when purchased, to be rated at least P-1 by Moody's Investor Services and A-1 by Standard & Poor's and corporate notes and other debt which, when purchased, is rated AA or better by Moody's Investor Services and/or Standard & Poor's.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the City's name. The City's investment policy requires government securities, commercial paper, bankers' acceptances and money market securities to be settled in a delivery-versus-payment method. Book entry or physical securities shall be safekept by a third-party safekeeping agent, in the agent's Federal Reserve customer account, correspondent money center bank customer custody account or Depository Trust Corporation (DTC) customer custody account. Each delivery and safekeeping shall be evidenced by a safekeeping receipt.

Concentration of Credit Risk: The City's investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2018:

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>% of Total</u>
<i>Amortized Cost:</i>		
STAR Ohio	\$ 1,445,086	7.34%
<i>Fair Value:</i>		
FNMA	1,488,435	7.56%
FHLMC	12,773,902	64.91%
FHLB	<u>3,973,420</u>	<u>20.19%</u>
Total	<u>\$ 19,680,843</u>	<u>100.00%</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2018:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 783,374
Investments	19,680,843
Cash on hand	1,100
Total	<u>\$ 20,465,317</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 13,912,378
Business type activities	6,546,019
Agency funds	6,920
Total	<u>\$ 20,465,317</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 5 - INTERFUND ACTIVITY

A. Interfund Transfers

Interfund transfers for the year ended December 31, 2018, consisted of the following, as reported in the fund financial statements:

<u>Transfers to</u>	<u>Transfers from</u>		<u>Total</u>
	<u>General</u>	Nonmajor Governmental <u>Funds</u>	
Fire and Rescue	\$ 955,000	\$ -	\$ 955,000
Police	3,000,000	-	3,000,000
Street	1,100,000	-	1,100,000
Capital improvement	679,250	224,413	903,663
Nonmajor governmental	300,000	-	300,000
Total	<u><u>\$ 6,034,250</u></u>	<u><u>\$ 224,413</u></u>	<u><u>\$ 6,258,663</u></u>

Transfers are made to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The tax incremental financing fund (a nonmajor governmental fund) transferred \$175,000 to the capital improvement fund to fund improvements made in the TIF District (See Note 8). The permissive tax fund (a nonmajor governmental fund) transferred \$49,413 to the capital improvement fund to fund road resurfacing projects and culvert replacement projects. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

B. Advances To/From Other Funds

In a prior year, the general fund advanced \$736,850 to the capital improvement fund for the Main Street TIF project, \$18,650 of this loan was repaid in 2018. The outstanding advance is \$718,200. This fund is not expected to be repaid within one year.

C. Interfund Loans Receivables/Payables

The general fund advanced \$880,960 to the capital improvement fund. This amount is reported as an interfund loan receivable and payable in the fund financial statements.

The capital improvement fund advanced \$1,755,000 to the water fund. This amount is reported as an interfund loan receivable and payable in the fund financial statements.

These advances are expected to be repaid during 2019.

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County collects property taxes on behalf of all taxing districts in the County, including the City of Englewood. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2018 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred inflow of resources since the current taxes were not levied to finance 2018 operations and the collection of delinquent taxes has been offset by deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2018 was \$10.59 per \$1,000 of assessed value. The assessed values of real property and public utility personal property upon which 2018 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 193,569,990
Commercial/industrial/mineral	66,903,690
<u>Public utility</u>	
Personal	<u>5,517,050</u>
Total assessed value	<u>\$ 265,990,730</u>

NOTE 7 - LOCAL INCOME TAX

The City levies a municipal income tax of one and three-quarters percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality up to 100% of the City's current tax rate.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 7 - LOCAL INCOME TAX - (Continued)

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 individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

Income tax proceeds are to be used to pay the cost of administering the tax. All remaining income tax revenue is then initially placed in the general fund. The use of all income tax proceeds is determined by City Council. Income tax revenue for 2018 was \$7,073,119 as reported in the fund financial statements.

NOTE 8 - TAX INCREMENT FINANCING DISTRICT (TIF)

The City, pursuant to the Ohio Revised Code and City ordinances, has established a TIF. A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as “payments in lieu of taxes (PILOT)”, as though the TIF had not been established. These “PILOTS” are then dedicated to the payments for various public improvements within or adjacent to the TIF area. Property values existing before the commencement date of a TIF continue to be subjected to property taxes.

PILOT revenue was \$404,806 in 2018 as reported in the fund financial statements. The TIF has a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOT’s cease and property taxes then apply to the increased property values.

NOTE 9 - TAX ABATEMENTS

As of December 31, 2018, the City provides property tax abatements through Community Reinvestment Area (CRA). Under the authority of Ohio Revised Code (ORC) Section 3735.67, the CRA program is an economic development tool administered by municipal and county governments that provides real property tax exemptions for property owners who renovate existing or construct new buildings. CRA’s are areas of land in which property owners can receive tax incentives for investing in real property improvements. Under the CRA program, local governments petition to the Ohio Development Services Agency (ODSA) for confirmation of a geographical area in which investment is desired. Once an area is confirmed by the ODSA, local governments may offer real property tax exemptions to taxpayers that invest in that area. Property owners in the CRA can receive temporary tax abatements for renovation of existing structures and new construction in these areas. Property owners apply to the local legislative authority for approval to renovate or construct in the CRA. Upon approval and certification of completion, the amount of the abatement is deducted from the individual or entity’s property tax bill.

The City had 28 parcels of land that received tax abatements through the CRA program. The total City property taxes abated during 2018 were \$23,248. The City also entered into an income tax sharing agreement with Northmont City School District (“School District”) for land situated in the Otterbein Commerce Park that is part of the CRA program. For all tax-abated projects located within the Otterbein Commerce Park, the City will provide 50% of the income taxes to the School District for businesses with annual payrolls exceeding \$1,000,000. In 2018, the City paid the School District \$78,015, in accordance with the tax sharing agreement.

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 10 - RECEIVABLES

Receivables at December 31, 2018, consisted of taxes, accounts (billings for user charged services), special assessments, accrued interest and intergovernmental receivables arising from grants, entitlements and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2018.

A summary of the principal items of receivables reported on the statement of net position follows:

Governmental activities:

Income taxes	\$ 1,577,905
Real and other taxes	1,398,528
Payments in lieu of taxes	583,955
Accounts	515,371
Accrued interest	87,089
Special assessments	324,603
Due from other governments	707,450

Business-type activities:

Accounts	420,273
Special assessments	33,715
Due from other governments	211,299

Receivables have been disaggregated on the face of the BFS. The only receivables not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment.

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CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 - CAPITAL ASSETS

A. Capital asset activity for the governmental activities for the year ended December 31, 2018, was as follows:

	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/18</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 4,394,729	\$ 47,308	\$ -	\$ 4,442,037
Construction-in-progress	<u>216,949</u>	<u>2,744,968</u>	<u>(900,865)</u>	<u>2,061,052</u>
Total capital assets, not being depreciated	<u>4,611,678</u>	<u>2,792,276</u>	<u>(900,865)</u>	<u>6,503,089</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,094,700	973,684	-	4,068,384
Buildings and improvements	10,588,561	-	-	10,588,561
Furniture and equipment	4,032,072	134,013	(77,216)	4,088,869
Vehicles	3,809,272	114,023	(63,181)	3,860,114
Infrastructure	36,774,690	401,253	-	37,175,943
Computer software	<u>339,984</u>	<u>11,426</u>	<u>(14,250)</u>	<u>337,160</u>
Total capital assets, being depreciated	<u>58,639,279</u>	<u>1,634,399</u>	<u>(154,647)</u>	<u>60,119,031</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(2,484,763)	(104,533)	-	(2,589,296)
Buildings	(4,367,957)	(253,508)	-	(4,621,465)
Furniture and equipment	(2,034,205)	(335,537)	52,146	(2,317,596)
Vehicles	(2,123,124)	(270,631)	48,250	(2,345,505)
Infrastructure	(20,595,138)	(1,267,778)	-	(21,862,916)
Computer software	<u>(171,166)</u>	<u>(29,931)</u>	<u>9,250</u>	<u>(191,847)</u>
Total accumulated depreciation	<u>(31,776,353)</u>	<u>(2,261,918)</u>	<u>109,646</u>	<u>(33,928,625)</u>
Total capital assets, being depreciated	<u>26,862,926</u>	<u>(627,519)</u>	<u>(45,001)</u>	<u>26,190,406</u>
Governmental activities capital assets, net	<u>\$ 31,474,604</u>	<u>\$ 2,164,757</u>	<u>\$ (945,866)</u>	<u>\$ 32,693,495</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:

General government	\$ 232,595
Security of persons and property	351,470
Public health	745
Transportation	1,454,022
Community environment	28,700
Leisure time activity	106,420

Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets

87,966

Total depreciation expense - governmental activities

\$ 2,261,918

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 - CAPITAL ASSETS - (Continued)

- B.** Certain assets were reclassified between asset classes, there was no impact on net capital assets or net position. Capital asset activity for the business-type activities for the year ended December 31, 2018 was as follows:

	Restated Balance			Balance
<u>Business-type activities:</u>	<u>12/31/17</u>	<u>Additions</u>	<u>Disposals</u>	<u>12/31/18</u>
<i>Capital assets, not being depreciated:</i>				
Land	\$ 136,885	\$ -	\$ -	\$ 136,885
Construction in Progress	78,728	602,210	(240,131)	440,807
Total capital assets, not being depreciated	<u>215,613</u>	<u>602,210</u>	<u>(240,131)</u>	<u>577,692</u>
<i>Capital assets, being depreciated:</i>				
Improvements other than buildings	50,983	-	-	50,983
Buildings and improvements	7,543,581	-	-	7,543,581
Equipment	5,028,662	107,983	(10,950)	5,125,695
Vehicles	279,080	-	-	279,080
Software	25,174	-	-	25,174
Infrastructure	<u>26,408,206</u>	<u>288,118</u>	<u>(17,103)</u>	<u>26,679,221</u>
Total capital assets, being depreciated	<u>39,335,686</u>	<u>396,101</u>	<u>(28,053)</u>	<u>39,703,734</u>
<i>Less: accumulated depreciation:</i>				
Improvements other than buildings	(6,329)	(2,748)	-	(9,077)
Buildings and improvements	(4,361,932)	(227,361)	10,486	(4,578,807)
Equipment	(2,071,080)	(300,871)	-	(2,371,951)
Vehicles	(117,995)	(14,429)	-	(132,424)
Software	(8,580)	(4,418)	-	(12,998)
Infrastructure	<u>(14,787,314)</u>	<u>(544,895)</u>	<u>12,093</u>	<u>(15,320,116)</u>
Total accumulated depreciation	<u>(21,353,230)</u>	<u>(1,094,722)</u>	<u>22,579</u>	<u>(22,425,373)</u>
Total capital assets, being depreciated, net	<u>17,982,456</u>	<u>(698,621)</u>	<u>(5,474)</u>	<u>17,278,361</u>
Business-type activities capital assets, net	<u>\$ 18,198,069</u>	<u>\$ (96,411)</u>	<u>\$ (245,605)</u>	<u>\$ 17,856,053</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 11 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to business-type activities as follows:

Business-type activities

Water	\$ 620,156
Sewer	445,946
Solid Waste	<u>28,620</u>
Total depreciation expense - business-type activities	<u>\$ 1,094,722</u>

NOTE 12 - OTHER EMPLOYEE BENEFITS

Deferred Compensation Plans

City employees and elected officials may participate in a statewide deferred compensation plan or a plan offered by ING and sponsored by the Ohio Municipal League. Both plans were created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plans permit deferral of compensation until future years. According to the plans, the deferred compensation is not available until termination, retirement, death or an unforeseeable emergency.

Compensated Absences

Accumulated Unpaid Vacation

City employees earn vacation leave at varying rates based upon length of service. In the case of death or retirement, an employee (or his estate) is paid for his unused vacation leave. The total obligation for vacation leave for the City as a whole amounted to \$379,048 at December 31, 2018. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

Accumulated Unpaid Sick Leave

City employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement an employee is paid for one-third of his accumulated sick leave within various limits. The total obligation for sick leave accrual for the City as a whole amounted to \$379,556 at December 31, 2018. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

Overtime Pay

City employees earn overtime pay at varying rates based on when the employee works the overtime. The total obligation for overtime pay for the City as a whole amounted to \$10,596 at December 31, 2018. Amounts are recorded as a fund liability and/or on the government-wide financial statements as applicable.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 13 - LONG-TERM OBLIGATIONS

- A. The long-term obligations were restated for the implementation of GASB Statement 75, see note 3 for details. The changes in the City's governmental activities long-term obligations during the year consist of the following:

	Restated Balance			Balance	Amounts Due in
	<u>12/31/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/18</u>	<u>One Year</u>
<u>Governmental activities:</u>					
<u>Other long-term obligations:</u>					
Compensated absences	\$ 643,462	\$ 444,702	\$ (382,653)	\$ 705,511	\$ 321,542
Net OPEB liability	6,301,193	1,992,636	-	8,293,829	-
Net pension liability	<u>10,364,178</u>	<u>766,784</u>	<u>(1,184,840)</u>	<u>9,946,122</u>	<u>-</u>
Total other long-term obligations	<u>\$ 17,308,833</u>	<u>\$ 3,204,122</u>	<u>\$ (1,567,493)</u>	<u>\$ 18,945,462</u>	<u>\$ 321,542</u>

Compensated absences, consisting of sick leave (severance), vacation benefits and compensatory time, and net pension liability and net OPEB liability will be paid from the fund from which the employee is paid which, for the City are primarily the general, fire and rescue, police and street funds.

- B. The changes in the City's business-type activities long-term obligations during the year consist of the following:

	Restated Balance			Balance	Amounts Due in
	<u>12/31/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/18</u>	<u>One Year</u>
<u>Business-type activities:</u>					
<u>Other long-term obligations</u>					
Compensated absences	\$ 78,432	\$ 40,637	\$ (55,378)	\$ 63,691	\$ 42,959
Net OPEB liability	521,835	72,439	-	594,274	-
Net pension liability	<u>1,254,662</u>	<u>-</u>	<u>(335,556)</u>	<u>919,106</u>	<u>-</u>
Total other long-term obligations	<u>\$ 1,854,929</u>	<u>\$ 113,076</u>	<u>\$ (390,934)</u>	<u>\$ 1,577,071</u>	<u>\$ 42,959</u>

As of December 31, 2018, the City's overall legal debt margin (the ability to issue general obligation bonded debt) was \$27,935,096 and the unvoted debt margin was \$14,629,490.

NOTE 14 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. The City is a member of the Miami Valley Risk Management Association, Inc. (MVRMA), a joint insurance pool. The pool consists of twenty municipalities who pool risk for property, crime, liability, boiler and machinery and public official liability. The City pays an annual premium for this coverage. The agreement provides that the MVRMA will be self-sustaining through member premiums and the purchase of excess and stoploss insurance. The deductible per occurrence for all types of claims is \$2,500. The type of coverage and deductible for each is as follows:

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - RISK MANAGEMENT - (Continued)

Type of Coverage

1. Liability:

Personal Injury Liability
Property Damage Liability
Public Officials Errors and Omissions
Employment Practices Liability
Employee Benefits Liability

Limits: \$12,000,000 per occurrence. \$12,000,000 annual aggregate per member for Employment Practices Liability; Public Officials Errors and Omissions and Employee Benefits Liability combined; and Products/Completed Operations.

MVRMA self-insured \$500,000 per occurrence and obtained reinsurance from Government Entities Mutual, Inc. (GEM) for \$4.5 million excess of \$500,000, from Genesis for \$7 million excess of \$5 million.

2. Property:

\$1,000,000,000/occurrence
MVRMA Self-Insured Retention (SIR): \$250,000/occurrence

Coverage excess of SIR provided by Alliant Property Insurance Program (APIP). List of carriers underwriting the coverage provided upon request.

3. Flood - included in Property Policy

\$25 million/occurrence and annual aggregate
Sublimit: Flood Zone A & V - \$5 million/occurrence and annual aggregate
MVRMA SIR: \$250,000/occurrence all flood zones

4. Earthquake - included in Property Policy

\$25 million/occurrence and annual aggregate
MVRMA SIR: \$100,000/occurrence

5. Boiler & Machinery - included in Property Policy

\$100,000/occurrence
MVRMA SIR: \$10,000 - \$350,000/occurrence

6. Cyber Liability - included in Property Policy

MVRMA SIR: \$100,000/occurrence
Coverage excess of SIR provided by Lloyd's of London - Beazley Syndicate

Third Party Liability:

\$2 million/occurrence and annual aggregate, but sublimited to:
\$1,000,000/occurrence and annual aggregate for Privacy Notification Costs

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 14 - RISK MANAGEMENT - (Continued)

First Party Computer Liability:

\$2 million/occurrence and annual aggregate subject to policy sublimits

E-crime:

\$50,000/occurrence for Fraudulent Instruction, Funds Transfer Fraud, Telephone Fraud

7. Pollution Liability - Claims Made and Reported Policy

\$1 million/pollution condition and aggregation

Retroactive Date: Policy inception

Coverage excess SIR provided by ACE - Illinois Union Insurance Co.

MVRMA SIR: \$100,000/pollution condition; \$750,000 underground
Storage tanks specific; \$250,000 mold or sewage backup

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in insurance coverage from the prior year.

MVRMA issues a stand-alone Comprehensive Annual Financial Report. Interested parties may obtain a copy by making a written request to 4625 Presidential Way, Kettering, OH 45429-5706.

B. Workers' Compensation

In 2018, the City participated in the Ohio Bureau of Workers' Compensation (Bureau) Group Rating Plan. The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries.

C. Unemployment

The City is a reimbursing employer with the Ohio Department of Job and Family Services. This means that, in lieu of unemployment taxes, the City pays unemployment claims to the State of Ohio as incurred. Claims may be incurred when an employee experiences the loss of employment other than with the City of Englewood. In 2018, the City's contribution to unemployment benefits was immaterial.

D. Health, Dental and Life Insurance

The City is a member of the Ohio Benefits Cooperative (OBC), a consortium of political subdivisions in the greater Miami Valley area. The purpose of the OBC is to pool risk and collectively purchase health insurance. OBC entered into an administrative agreement on September 1, 2015 with the Jefferson Health Plan for stop loss insurance, pooling, administration and other benefit services to provide medical benefits to City employees.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 14 - RISK MANAGEMENT - (Continued)

The City offers a High Deductible Health Plan combined with a Health Savings Account (HSA Plan). For the plan year effective 9/1/18 - 8/31/19, the City pays 100% of the HSA Plan monthly premium of \$528 for single coverage and \$1,611 for family coverage. The City also makes quarterly contributions to the employee health savings accounts. The annual amount of City contributions to the health savings account is \$750.00 for single coverage and \$1,500.00 for family coverage. As required by a collective bargaining agreement with the Ohio Patrolmen's Benevolent Association (OPBA), the City also offers a PPO. The monthly premium is \$654 for single coverage and \$1,995 for family coverage. The employee portion of the monthly premium is \$45 for single coverage and \$138 for family coverage.

Dental insurance is offered through Superior Dental Care with a deductible of \$50 for single coverage and up to \$150 for family coverage. The City pays the majority of the monthly premium of \$27 for single coverage and \$83 for family coverage. The City also provides a minimum of \$25,000 life and AD&D insurance at no cost to the employees. Employees have the opportunity to purchase additional group rated health and life insurance benefits, with the full cost of the premiums paid by the employee via payroll deduction.

NOTE 15 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

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

GASB 68 assumes any net pension liability/asset is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

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

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

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	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.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 2.25%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member’s FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member’s FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 2.25% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS’s Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections.

Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0 %
Total Employer	14.0 %
Employee	10.0 %

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$485,395 for 2018. Of this amount, \$71,139 is reported as due to other governments.

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

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the 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 OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

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

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

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$497,661 for 2018. Of this amount, \$93,520 is reported as due to other governments.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2017, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	OPERS - Traditional	OPERS - Member- Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.02488200%	0.00200200%	0.09423200%	
Proportion of the net pension liability/asset current measurement date	<u>0.02632500%</u>	<u>0.00084500%</u>	<u>0.10974200%</u>	
Change in proportionate share	<u>0.00144300%</u>	<u>-0.00115700%</u>	<u>0.01551000%</u>	
Proportionate share of the net pension liability	\$ 4,129,882	\$ -	\$ 6,735,346	\$ 10,865,228
Proportionate share of the net pension asset	-	(29)	-	(29)
Pension expense	945,541	(10)	968,308	1,913,839

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

	OPERS - Traditional	OPERS - Member- Directed	OP&F	Total
Deferred outflows of resources				
Differences between expected and actual experience	\$ 4,218	\$ 60	\$ 102,212	\$ 106,490
Changes of assumptions	493,549	4	293,495	787,048
Changes in employer's proportionate percentage/ difference between employer contributions	153,171	-	810,359	963,530
City contributions subsequent to the measurement date	484,916	479	497,661	983,056
Total deferred outflows of resources	<u>\$ 1,135,854</u>	<u>\$ 543</u>	<u>\$ 1,703,727</u>	<u>\$ 2,840,124</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

	OPERS - Traditional	OPERS - Member- Directed	OP&F	Total
Deferred inflows of resources				
Differences between expected and actual experience	\$ 81,386	\$ -	\$ 12,183	\$ 93,569
Net difference between projected and actual earnings on pension plan investments	886,630	7	232,996	1,119,633
Changes in employer's proportionate percentage/ difference between employer contributions	28,566	-	-	28,566
Total deferred inflows of resources	<u>\$ 996,582</u>	<u>\$ 7</u>	<u>\$ 245,179</u>	<u>\$ 1,241,768</u>

\$983,056 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2019.

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

	OPERS - Traditional	OPERS - Member- Directed	OP&F	Total
Year Ending December 31:				
2019	\$ 422,678	\$ 5	\$ 334,947	\$ 757,630
2020	(13,570)	5	273,691	260,126
2021	(390,424)	5	20,082	(370,337)
2022	(364,328)	6	61,082	(303,240)
2023	-	7	218,734	218,741
Thereafter	-	29	52,351	52,380
Total	<u>\$ (345,644)</u>	<u>\$ 57</u>	<u>\$ 960,887</u>	<u>\$ 615,300</u>

Actuarial Assumptions - OPERS

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	7.50%
Actuarial cost method	Individual entry age

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82% for 2017.

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.50%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.50%, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.50%) or one-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 7,333,619	\$ 4,129,882	\$ 1,458,932
Member-Directed Plan	(17)	(29)	(42)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below. The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the investment rate of return from 8.25% to 8.00%, (b) projected salary increases decreased from 4.25% - 11.00% to 3.75% - 10.50%, (c) payroll increases decreased from 3.75% to 3.25%, (d) inflation assumptions decreased from 3.25% to 2.75% and (e) Cost of Living Adjustments (COLAs) decreased from 2.60% to 2.20%.

Valuation date	January 1, 2017
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25%
Inflation assumptions	2.75%
Cost of living adjustments	2.20% and 3.00% simple

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

The most recent experience study was completed for the five-year period ended December 31, 2016. The recommended assumption changes based on this experience study were adopted by OPF's Board and were effective beginning with the January 1, 2017 actuarial valuation.

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

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

Discount Rate - The total pension liability was calculated using the discount rate of 8.00%. A discount rate of 8.25% was used in the prior measurement period. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 9,336,978	\$ 6,735,346	\$ 4,613,506

NOTE 16 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

The City's contractually required contribution was \$192 for 2018. Of this amount, \$28 is reported as due to other governments.

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

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

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

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

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's net OPEB liability is not known.

The City's contractually required contribution to OP&F was \$12,093 for 2018. Of this amount, \$2,272 is reported as due to other governments.

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

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

	OPERS	OP&F	Total
Proportion of the net OPEB liability prior measurement date	0.02326700%	0.09423200%	
Proportion of the net OPEB liability current measurement date	<u>0.02459000%</u>	<u>0.10974200%</u>	
Change in proportionate share	<u>0.00132300%</u>	<u>0.01551000%</u>	
Proportionate share of the net OPEB liability	\$ 2,670,292	\$ 6,217,811	\$ 8,888,103
OPEB expense	\$ 269,810	\$ 587,749	\$ 857,559

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 2,080	\$ -	\$ 2,080
Changes of assumptions	194,426	606,727	801,153
Changes in employer's proportionate percentage/ difference between employer contributions	88,033	635,077	723,110
City contributions subsequent to the measurement date	192	12,093	12,285
Total deferred outflows of resources	<u>\$ 284,731</u>	<u>\$ 1,253,897</u>	<u>\$ 1,538,628</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 31,360	\$ 31,360
Net difference between projected and actual earnings on pension plan investments	198,919	40,929	239,848
Changes in employer's proportionate percentage/ difference between employer contributions	47	-	47
Total deferred inflows of resources	<u>\$ 198,966</u>	<u>\$ 72,289</u>	<u>\$ 271,255</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

\$12,285 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019.

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

Year Ending December 31:	OPERS	OP&F	Total
2019	\$ 86,287	\$ 166,733	\$ 253,020
2020	86,287	166,733	253,020
2021	(37,272)	166,733	129,461
2022	(49,729)	166,733	117,004
2023	-	176,963	176,963
Thereafter	-	325,620	325,620
Total	<u>\$ 85,573</u>	<u>\$ 1,169,515</u>	<u>\$ 1,255,088</u>

Actuarial Assumptions - OPERS

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

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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

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

	1% Decrease <u>(2.85%)</u>	Current Discount Rate <u>(3.85%)</u>	1% Increase <u>(4.85%)</u>
City's proportionate share of the net OPEB liability	\$ 3,547,599	\$ 2,670,292	\$ 1,960,561

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate

Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

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

	1% Decrease <u></u>	Current Health Care Trend Rate Assumption <u></u>	1% Increase <u></u>
City's proportionate share of the net OPEB liability	\$ 2,554,901	\$ 2,670,292	\$ 2,789,490

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions – OP&F

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

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

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

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

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

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

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

Note: Assumptions are geometric.

*levered 2x

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

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

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$ 7,772,630	\$ 6,217,811	\$ 5,021,684

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

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

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 16 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 4,830,121	\$ 6,217,811	\$ 8,087,988

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund, fire and rescue fund, police fund and street fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	<u>General fund</u>	<u>Fire and Rescue</u>	<u>Police</u>	<u>Street fund</u>
Budget basis	\$ (546,193)	\$ (126,584)	\$ 42,697	\$ (642,837)
Net adjustment for revenue accruals	(112,503)	14,588	(7,283)	6,064
Net adjustment for expenditure accruals	(274,752)	(6,043)	(1,327)	(23,767)
Net adjustment for other sources/uses	1,227,310	-	-	-
Funds budgeted elsewhere	(248,963)	-	-	-
Adjustment for encumbrances	<u>118,633</u>	<u>44,829</u>	<u>51,814</u>	<u>189,343</u>
GAAP basis	<u>\$ 163,532</u>	<u>\$ (73,210)</u>	<u>\$ 85,901</u>	<u>\$ (471,197)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the Earl Heck Community Center fund, the street lighting fund and the debt service investment trust fund.

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CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 18 - FUND BALANCE

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

Fund balance	General	Fire and Rescue Fund	Police Fund	Street Fund	Capital Improvement Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:							
Materials and supplies inventory	\$ -	\$ -	\$ -	\$ 84,267	\$ -	\$ -	\$ 84,267
Prepays	29,280	20,461	36,714	14,275	-	7,225	107,955
Long-term advances	718,200	-	-	-	-	-	718,200
Total nonspendable	<u>747,480</u>	<u>20,461</u>	<u>36,714</u>	<u>98,542</u>	<u>-</u>	<u>7,225</u>	<u>910,422</u>
Restricted:							
Street construction and maintenance	-	-	-	898,514	-	504,623	1,403,137
Public safety	-	345,320	322,496	-	-	244,114	911,930
Capital improvements	-	-	-	-	433,269	-	433,269
Other purposes	-	-	-	-	-	121,499	121,499
Total restricted	<u>-</u>	<u>345,320</u>	<u>322,496</u>	<u>898,514</u>	<u>433,269</u>	<u>870,236</u>	<u>2,869,835</u>
Committed:							
Capital improvements	-	-	-	-	2,607,099	-	2,607,099
Total committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,607,099</u>	<u>-</u>	<u>2,607,099</u>
Assigned:							
Street lighting	301,043	-	-	-	-	-	301,043
Earl Heck Community Center	231,663	-	-	-	-	-	231,663
General government	75,330	-	-	-	-	-	75,330
Public health	478	-	-	-	-	-	478
Community environment	19,672	-	-	-	-	-	19,672
Leisure time activities	3,870	-	-	-	-	-	3,870
Capital projects	-	-	-	-	2,817,480	-	2,817,480
Subsequent appropriations	1,860,363	-	-	-	-	-	1,860,363
Total assigned	<u>2,492,419</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,817,480</u>	<u>-</u>	<u>5,309,899</u>
Unassigned	<u>3,659,876</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,659,876</u>
Total fund balances	<u>\$ 6,899,775</u>	<u>\$ 365,781</u>	<u>\$ 359,210</u>	<u>\$ 997,056</u>	<u>\$ 5,857,848</u>	<u>\$ 877,461</u>	<u>\$ 15,357,131</u>

CITY OF ENGLEWOOD, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE 19 - COMMITMENTS

A. Contractual Commitments

As of December 31, 2018, the City had the following contractual commitments outstanding related to various City projects and purchases:

<u>Vendor</u>	<u>Amount of Contract</u>	<u>Amount Paid as of 12/31/2018</u>	<u>Remaining Commitment 12/31/2018</u>
Stone Environmental Engineering	\$ 124,962	\$ 80,623	\$ 44,339
Brumbaugh Construction	1,939,045	1,181,490	757,555
U.S. Water Services	907,200	-	907,200
Jones & Henry Engineers LTD	50,000	-	50,000
CIVICA CMI	15,707	-	15,707
Evolve IP	16,100	-	16,100
Doll-Layman, LTD	237,395	-	237,395
Core & Main LP	60,000	1,970	58,030
The Henry P Thompson Company	40,750	-	40,750
Reese Electric, Inc.	49,810	-	49,810
Horton Emergency Services	197,595	-	197,595
Stoops Freightliner	161,902	-	161,902
Henderson Products	179,786	-	179,786
K.E. Rose Co.	36,228	-	36,228
Kinnison Excavating	272,744	-	272,744
Coate Construction	<u>180,000</u>	<u>71,215</u>	<u>108,785</u>
 Total	 <u>\$ 4,469,224</u>	 <u>\$ 1,335,298</u>	 <u>\$ 3,133,926</u>

B. Other Commitments

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	<u>Year-End Encumbrances</u>
General fund	\$ 168,956
Fire and rescue	22,459
Police	40,072
Street	155,672
Capital improvement	800,977
Nonmajor governmental	<u>46,537</u>
 Total	 <u>\$ 1,234,673</u>

CITY OF ENGLEWOOD, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018**

NOTE 20 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous 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 any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2018.

B. Litigation

The City is currently involved in no litigation for which there is a risk of financial liability.

NOTE 21 - SUBSEQUENT EVENT

On January 22, 2019, the City issued \$5,000,000 in Various Purpose Notes. The notes carry an interest rate of 3.00% and will mature on January 21, 2020.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ENGLEWOOD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST FIVE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>					
City's proportion of the net pension liability	0.026325%	0.024882%	0.025531%	0.025300%	0.025300%
City's proportionate share of the net pension liability	\$ 4,129,882	\$ 5,650,278	\$ 4,422,291	\$ 3,051,464	\$ 2,982,540
City's covered payroll	\$ 3,495,077	\$ 3,237,625	\$ 3,184,508	\$ 3,109,367	\$ 2,954,423
City's proportionate share of the net pension liability as a percentage of its covered payroll	118.16%	174.52%	138.87%	98.14%	100.95%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%	86.36%
<i>Member Directed Plan:</i>					
City's proportion of the net pension asset	0.000845%	0.002002%	0.008640%	n/a	n/a
City's proportionate share of the net pension asset	\$ 29	\$ 8	\$ 33	n/a	n/a
City's covered payroll	\$ 4,640	\$ 10,389	\$ 48,117	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.63%	0.08%	0.07%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	124.46%	103.40%	103.91%	n/a	n/a

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ENGLEWOOD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST FIVE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.10974200%	0.09423200%	0.09375600%	0.09370540%	0.09370540%
City's proportionate share of the net pension liability	\$ 6,735,346	\$ 5,968,562	\$ 6,031,391	\$ 4,854,331	\$ 4,563,747
City's covered payroll	\$ 2,487,024	\$ 2,146,230	\$ 2,009,053	\$ 2,454,379	\$ 1,906,928
City's proportionate share of the net pension liability as a percentage of its covered payroll	270.82%	278.10%	300.21%	197.78%	239.32%
Plan fiduciary net position as a percentage of the total pension liability	70.91%	68.36%	66.77%	72.20%	73.00%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ENGLEWOOD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 484,916	\$ 454,360	\$ 388,515	\$ 382,141
Contributions in relation to the contractually required contribution	<u>(484,916)</u>	<u>(454,360)</u>	<u>(388,515)</u>	<u>(382,141)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,463,686	\$ 3,495,077	\$ 3,237,625	\$ 3,184,508
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%
 <i>Member Directed Plan:</i>				
Contractually required contribution	\$ 479	\$ 464	\$ 987	\$ 5,774
Contributions in relation to the contractually required contribution	<u>(479)</u>	<u>(464)</u>	<u>(987)</u>	<u>(5,774)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 4,790	\$ 4,640	\$ 10,389	\$ 63,801
Contributions as a percentage of covered payroll	10.00%	10.00%	9.50%	9.05%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 373,124	\$ 384,075	\$ 278,238	\$ 259,157	\$ 226,822	\$ 210,787
<u>(373,124)</u>	<u>(384,075)</u>	<u>(278,238)</u>	<u>(259,157)</u>	<u>(226,822)</u>	<u>(210,787)</u>
<u>\$ -</u>					
\$ 3,109,367	\$ 2,954,423	\$ 2,782,380	\$ 2,591,570	\$ 2,543,798	\$ 2,594,302
12.00%	13.00%	10.00%	10.00%	8.92%	8.13%

CITY OF ENGLEWOOD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Police:</i>				
Contractually required contribution	\$ 298,529	\$ 313,524	\$ 289,374	\$ 285,479
Contributions in relation to the contractually required contribution	<u>(298,529)</u>	<u>(313,524)</u>	<u>(289,374)</u>	<u>(285,479)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,571,205	\$ 1,650,126	\$ 1,523,021	\$ 1,502,521
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
 <i>Fire:</i>				
Contractually required contribution	\$ 199,132	\$ 196,671	\$ 146,454	\$ 119,035
Contributions in relation to the contractually required contribution	<u>(199,132)</u>	<u>(196,671)</u>	<u>(146,454)</u>	<u>(119,035)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 847,370	\$ 836,898	\$ 623,209	\$ 506,532
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 347,329	\$ 230,055	\$ 179,155	\$ 172,795	\$ 167,070	\$ 163,817
<u>(347,329)</u>	<u>(230,055)</u>	<u>(179,155)</u>	<u>(172,795)</u>	<u>(167,070)</u>	<u>(163,817)</u>
<u>\$ -</u>					
\$ 1,828,047	\$ 1,448,405	\$ 1,405,137	\$ 1,355,255	\$ 1,310,353	\$ 1,284,839
19.00%	15.88%	12.75%	12.75%	12.75%	12.75%
\$ 147,188	\$ 93,385	\$ 77,284	\$ 79,663	\$ 79,867	\$ 76,905
<u>(147,188)</u>	<u>(93,385)</u>	<u>(77,284)</u>	<u>(79,663)</u>	<u>(79,867)</u>	<u>(76,905)</u>
<u>\$ -</u>					
\$ 626,332	\$ 458,144	\$ 448,023	\$ 461,814	\$ 462,997	\$ 445,826
23.50%	20.38%	17.25%	17.25%	17.25%	17.25%

CITY OF ENGLEWOOD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TWO YEARS

	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.024590%	0.023267%
City's proportionate share of the net OPEB liability	\$ 2,670,293	\$ 2,350,047
City's covered payroll	\$ 3,499,717	\$ 3,248,014
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	76.30%	72.35%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.05%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ENGLEWOOD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND**

LAST TWO YEARS

	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.10974200%	0.09423200%
City's proportionate share of the net OPEB liability	\$ 6,217,811	\$ 4,472,981
City's covered payroll	\$ 2,487,024	\$ 2,146,230
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	250.01%	208.41%
Plan fiduciary net position as a percentage of the total OPEB liability	14.13%	15.96%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ENGLEWOOD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 192	\$ 35,136	\$ 65,221	\$ 63,690
Contributions in relation to the contractually required contribution	<u>(192)</u>	<u>(35,136)</u>	<u>(65,221)</u>	<u>(63,690)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,468,476	\$ 3,499,717	\$ 3,248,014	\$ 3,248,309
Contributions as a percentage of covered payroll	0.01%	1.00%	2.01%	1.96%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 62,045	\$ 29,531	\$ 111,295	\$ 103,663	\$ 129,310	\$ 152,416
<u>(62,045)</u>	<u>(29,531)</u>	<u>(111,295)</u>	<u>(103,663)</u>	<u>(129,310)</u>	<u>(152,416)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,109,367	\$ 2,954,423	\$ 2,782,380	\$ 2,591,570	\$ 2,543,798	\$ 2,594,302
2.00%	1.00%	4.00%	4.00%	5.08%	5.88%

CITY OF ENGLEWOOD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Police:</i>				
Contractually required contribution	\$ 7,856	\$ 8,251	\$ 7,821	\$ 7,716
Contributions in relation to the contractually required contribution	<u>(7,856)</u>	<u>(8,251)</u>	<u>(7,821)</u>	<u>(7,716)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,571,205	\$ 1,650,126	\$ 1,523,021	\$ 1,502,521
Contributions as a percentage of covered payroll	0.50%	0.50%	0.51%	0.51%
 <i>Fire:</i>				
Contractually required contribution	\$ 4,237	\$ 4,184	\$ 3,116	\$ 2,533
Contributions in relation to the contractually required contribution	<u>(4,237)</u>	<u>(4,184)</u>	<u>(3,116)</u>	<u>(2,533)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 847,370	\$ 836,898	\$ 623,209	\$ 506,532
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 7,346	\$ 52,353	\$ 94,847	\$ 91,479	\$ 88,449	\$ 86,727
<u>(7,346)</u>	<u>(52,353)</u>	<u>(94,847)</u>	<u>(91,479)</u>	<u>(88,449)</u>	<u>(86,727)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,828,047	\$ 1,448,405	\$ 1,405,137	\$ 1,355,255	\$ 1,310,353	\$ 1,284,839
0.40%	3.62%	6.75%	6.75%	6.75%	6.75%
\$ 2,395	\$ 17,286	\$ 30,241	\$ 31,173	\$ 31,252	\$ 30,093
<u>(2,395)</u>	<u>(17,286)</u>	<u>(30,241)</u>	<u>(31,173)</u>	<u>(31,252)</u>	<u>(30,093)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 626,332	\$ 458,144	\$ 448,023	\$ 461,814	\$ 462,997	\$ 445,826
0.38%	3.77%	6.75%	6.75%	6.75%	6.75%

CITY OF ENGLEWOOD, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2018

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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

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



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**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Required by *Government Auditing Standards***

City of Englewood
Montgomery County
333 West National Road
Englewood, Ohio 45322

To the Members of Council and Mayor:

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 Englewood, Montgomery County, Ohio, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City of Englewood's basic financial statements and have issued our report thereon dated June 10, 2019, wherein we noted as discussed in Note 3, the City of Englewood adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City of Englewood'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 of Englewood'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 of Englewood'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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



Julian & Grube, Inc.
June 10, 2019

OHIO AUDITOR OF STATE KEITH FABER



CITY OF ENGLEWOOD

MONTGOMERY 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
JULY 2, 2019**