

CITY OF HEATH
ANNUAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

Wilson, Phillips & Agin, CPA's, Inc.
1100 Brandywine Blvd. Building G
Zanesville, Ohio 43701

OHIO AUDITOR OF STATE
KEITH FABER



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Columbus, Ohio 43215
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Members of Council
City of Heath
1287 Hebron Road
Heath, OH 43056

We have reviewed the *Independent Auditor's Report* of the City of Heath, Licking County, prepared by Wilson, Phillips & Agin, CPA's, 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 Heath is responsible for compliance with these laws and regulations.

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 29, 2019

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**CITY OF HEATH
LICKING COUNTY**

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**WILSON, PHILLIPS & AGIN, CPA'S, INC.
1100 BRANDYWINE BLVD. BUILDING G
HEATH, OHIO 43701**

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

City of Heath
Licking County
1287 Hebron Road
Heath, Ohio 43056

To the City Council Management:

We have audited, in accordance with auditing standards general 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 Heath, Licking County, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 5, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control 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 obtaining reasonable assurance about whether the City of Heath'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 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's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wilson, Phillips & Agin, CPA's, Inc.
Heath, Ohio
June 5, 2019

**CITY OF HEATH
LICKING COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED DECEMBER 31, 2018 AND 2017**

Finding Number	Finding Summary	Fully Corrected	Not Corrected, Partially Corrected Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain:
2017-001	Significant Deficiency Financial Reporting	Yes	Finding No Longer Valid
2017-002	Significant Deficiency On-Behalf Payments	Yes	Finding No Longer Valid
2017-003	Significant Deficiency Capital Assets Policy	Yes	Finding No Longer Valid

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CITY OF HEATH, OHIO

Licking County



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2018



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2018

Prepared by the City Auditor's Department

Mr. Jay R. Morrow
City Auditor



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LICKING COUNTY, OHIO

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INTRODUCTORY SECTION



CITY OF HEATH

Mark D. Johns
Mayor

Jay R. Morrow
Auditor

David C. Morrison
Director of Law

1287 Hebron Road * Heath, OH 43056 * P: (740) 522-1420 * F: (740) 522-6324 * www.heathohio.gov

June 5, 2019

To the Council and the Citizens of the City of Heath, Ohio:

The City Auditor is pleased to present this Comprehensive Annual Financial Report for the City of Heath (the City) for the year ended December 31, 2018. The report has been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) and guidelines recommended by the Government Finance Officers Association of the United States and Canada (GFOA).

INTRODUCTION

While there is no legal requirement for the preparation of this report, it represents a commitment by the City to conform to nationally recognized standards of excellence in financial reporting. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. I believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City; and that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been presented.

Accounting Principles Generally Accepted in the United States of America requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Heath's MD&A can be found immediately following the Independent Auditor's Report.

The Reporting Entity

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (the "GASB") Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units"* and GASB Statement No. 61, *"The Financial Reporting Entity; Omnibus"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the reporting entity of the City has no component units but includes the following services as authorized by its charter: police and fire protection, emergency medical response, parks and recreation, planning, zoning, street maintenance, utility billing, income tax collection and other governmental services.

CITY OF HEATH, OHIO

Letter of Transmittal For the Year Ended December 31, 2018

The City of Heath

The City of Heath continues to be a growing community located twenty-five miles east of Ohio's capital city, Columbus. It is bounded on the north by the City of Newark, the county seat of Licking County. The City's elevation is approximately 830 feet above sea level. Its median temperatures are 75 degrees in summer and 30.2 degrees in winter. State highways 79 and 13 serve as the City's major transportation arteries. The east-west interstate highway I-70 that lies approximately 6 miles south also serves the City. Heath's 10.5 square mile area serves a residential population of 10,310 (census 2010) and an estimated daytime population of 45,000. The daytime population is concentrated in the State Route 79 corridor, the area of the Central Ohio Aerospace and Technology Center, the Indian Mound Mall, and Southgate and Cross Creek Shopping Centers.

The City of Heath was named after Fletcher Heath an employee of the Pure Oil Company, which was located just west of the City. A railroad freight station located near the company was named the Heath Station. In 1951, when area residents voted to incorporate, they created the Village of Heath. The Village of Heath became Ohio's 196th city on April 28, 1965.

Historical areas in the City of Heath include the Davis-Shai House, the old Four Mile Lock (part of the Ohio Canal), Moundbuilders State Park, and the Forry Preserve. The latter two include prehistoric Hopewell Indian mound sites. In addition, the W. Thomas Huff Indian artifact collection is on display at city hall.

The City operates under a charter, first adopted by the voters in 1964 and opened for revision by a Charter Commission every ten years. The form of government provided in the Charter is known as the "Mayor-Council Plan". All elections are non-partisan. The Mayor and the Auditor are elected for overlapping terms every four years. The legislative body of Heath consists of a seven-member Council, three of whom are elected by Ward, and four of whom are elected At-Large for overlapping four year terms. City Council elects a president every two years to preside over meetings. In the event that the office of the Mayor shall become vacant the President of Council shall become Mayor and serve for the unexpired term of the Mayor. City Council appoints the Clerk of Council and the Mayor appoints the City Law Director.

Labor Relations

A statewide public employee collective bargaining law applies generally to public employee relations and collective bargaining. The employee profile is as follows:

<u>Number of Employees</u>	<u>Employee Classification</u>
79	Classified employees
9	Elected officials
3	Appointed employees

CITY OF HEATH, OHIO

***Letter of Transmittal
For the Year Ended December 31, 2018***

The City has entered into bargaining agreements with the Fraternal Order of Police, Ohio Labor Council, Inc., International Association of Firefighters Local 2930 and the American Federation of State, County and Municipal Employees, AFL-CIO, Ohio Council 8. Other employees are governed by legislative action of City Council. In the judgment of the City, its employee relations have been and are considered to be good.

Full-time employees are represented by the following bargaining units:

<u>Bargaining Unit</u>	<u>Agreement Expiration Date</u>	<u>Number of Employees Covered</u>
Fraternal Order of Police, Ohio Labor Council (Dispatchers)	March 31, 2020	6
Fraternal Order of Police, Ohio Labor Council (Sergeants/Patrol)	March 31, 2020	17
International Association of Firefighters Local 2930	April 17, 2020	15
American Federation of State, County and Municipal Employees, AFL-CIO, Ohio Council 8	April 1, 2020	33

New police officers are not included in the union until their one-year probationary period is successfully completed. A reserve force of ten persons is authorized by order of the mayor. A thirty member volunteer fire department, operated by the Heath Firefighters Association, is authorized by City Ordinance.

The Administrative Section of the City of Heath Codified Ordinances provides for equal and similar treatment of employees employed by the city but not covered under a collective bargaining agreement. The following classifications are covered by the Administrative Section of the Heath Codified Ordinances:

- 9 Elected Officials
- 1 Appointed Clerk of Council
- 1 Appointed law advisors
- 2 Exempted classified employees
- 1 Appointed Administrative Assistant
- 6 Department Heads

***Letter of Transmittal
For the Year Ended December 31, 2018***

ECONOMIC OUTLOOK & MAJOR INITIATIVES

The City experienced a somewhat slow year in new development of properties, but saw increased activity in the re-development of properties. As examples, in the commercial sector, HH Gregg, Clark Motors, and Peet's Coffee are notable businesses which left the area. But the addition of Five Guys Burgers and moving of Great Clips occupied the enter space. Huber Automotive purchased the adjacent former Clark Motors location and expanded their footprint, investing in site re-development. Although the HH Gregg lot sits vacant at the end of 2018, the addition of Big Sandy Furniture on the nearby site of a long-vacant, former Indian Mound Mall anchor store was a welcome addition. Shoe Carnival filled an open spot in the Cross Creek Shopping Center.

In addition to those projects in Heath, Coconis Furniture and the addition of a new body shop and showroom space at John Hinderer Honda are examples of further site improvements and re-development happening in 2018.

On the industrial side, GB Food leased a 20,000 square-foot space which was built on spec by the Heath-Newark-Licking County Port Authority. Samuel Packaging began a project to add 20,000 square feet to its facility to accommodate growth plans. Waste Away Systems, A-1 Towing, and Nuway Construction are all notable business that were opened in Heath's industrial corridor during 2018.

Plans for 2019 include:

Streets	Neighborhood street pavement resurfacing	\$500,000
Police	New Patrol Vehicles	42,000

Heath-Newark-Licking County Port Authority - Air Force Primary Standards Laboratory Force Lab construction project looks to get a 1Q 2019 start.

FINANCIAL INFORMATION

Internal Control, Budgetary Control and the Accounting System

Development of the City's accounting system included substantial consideration of the adequacy of the internal accounting controls. Internal accounting controls are designed to provide reasonable but not absolute assurance of the following:

1. The City's assets are protected against loss and unauthorized use or disposition.
2. Reliable financial reports for preparing financial statements and providing accountability for assets are maintained.

***Letter of Transmittal
For the Year Ended December 31, 2018***

The concept of reasonable assurance states that internal controls should be evaluated applying the following criteria:

1. The expense associated with providing the internal controls should not exceed the benefits likely to be derived from their implementation.
2. The evaluation of the offsetting costs and benefits involves estimates and judgment by the City administration and the Auditor's office.

All internal control evaluations occur within this framework. It is the belief of the administrative and financial management personnel that the City's financial controls adequately safeguard existing assets and provide reasonable assurance of the proper recording of financial transactions.

The Auditor's office is responsible for the auditing and analysis of all purchase orders of the City. Personnel of the Auditor's office carefully review purchase orders to ensure the availability of monies in the proper funds and accounts prior to the certification and subsequent payment of approved invoices. The City utilizes a fully automated accounting system as well as an automated system of controls for capital asset accounting and payroll. These systems, coupled with the review and examination performed by the City Auditor's office, ensure that the financial information generated is both accurate and reliable.

Budgetary control is maintained at the object level for each department within each fund via legislation approved by City Council. The various objects are:

- Personal services
- Contractual Services
- Other Expenditures
- Transfers
- Materials and Supplies
- Capital Outlay
- Debt Service:
Principal
Interest

Lower levels within each object are accounted for and reported internally. Such lower levels are referred to as line items of expenditure. Estimated amounts must be encumbered prior to final approval of purchase orders or other contracts to vendors. Encumbrances in excess of the available object level appropriations are not approved unless additional appropriations are authorized. Unencumbered appropriations return (lapse) to the unappropriated balances in the individual funds at the end of each fiscal year, which coincides with the calendar year.

***Letter of Transmittal
For the Year Ended December 31, 2018***

OTHER INFORMATION

Independent Audit

An audit team from Wilson, Phillips & Agin, CPA's, Inc. has performed this year's audit. The independent auditor's unmodified opinion has been included in the Independent Auditor's Report which is located at the front of the financial section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Heath, Ohio for its Comprehensive Annual Financial Report for the year ended December 31, 2017. The City has received this award each year since 1994. The GFOA awards a Certificate of Achievement for Excellence in Financial Reporting to those governmental entities that qualify. To be awarded a Certificate of Achievement, a governmental unit must prepare an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents satisfy all program standards. The report must satisfy both generally accepted accounting principles (GAAP) and applicable legal requirements respective to the reporting entity. A Certificate of Achievement is valid for a period of one year only. I believe this, our current report continues to conform to the high standards set by the GFOA for a Certificate of Achievement for Excellence in Financial Reporting and I am submitting it to GFOA. In addition, the Heath city auditor also received the Auditor of State's Award, for fiscal years 2002 through 2008. To be eligible, reporting entities must have had no citations reported in their annual audit. Less than 5% of all reporting entities are eligible for this award.

Public Disclosure

The publication of this report represents an important achievement in the ability of the City of Heath to provide significantly enhanced financial information and accountability to the citizens, its elected officials, City administration and investors. This report is indicative of the continued efforts of the City to improve its overall financial accounting, management and reporting capabilities.

In addition to the citizens of Heath, the recipients of this report will include city, state and federal officials, schools, libraries, newspapers, investment banking firms, banks and rating agencies. The report is made available to any person or organization that requests it. The extensive effort to prepare and distribute this report is indicative of the City Auditor's goal of full disclosure of the City's finances.

***Letter of Transmittal
For the Year Ended December 31, 2018***

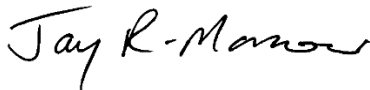
Acknowledgments

Sincere appreciation is extended to the individuals who have contributed their time and effort in gathering data for this report. I am indebted to the following staff members; Rebecca McComb, Assistant Auditor; Debbie Whitefield, HR Director; and our Department Heads for the extra effort they put forth in the preparation of this report.

Special acknowledgment is extended to the staff of Donald J. Schonhardt and Associates, Inc. for their guidance in the preparation of this report.

Special thanks to the members of Heath City Council and Mayor Mark Johns whose support is necessary for the City of Heath to conform to reporting requirements established for municipal governments to maintain the sound financial position that the City has enjoyed for many years.

Respectfully,



Jay R. Morrow
City Auditor

CITY OF HEATH, OHIO

**List of Principal Officials
For the Year Ended December 31, 2018**

<i>ELECTED OFFICIALS</i>	<i>OFFICE</i>	<i>TERM EXPIRES</i>	<i>SURETY</i>
Mark D. Johns	Mayor	12/31/2021	
Jay R. Morrow	Auditor	03/31/2020	B
Tim Kelley	Council Member – at Large President of Council	12/31/2019	
Cledys Henry	Council Member at Large President-Pro-Tem	12/31/2019	
Deborah Cole	Council Member at Large	12/31/2019	
Brian Johnson	Council Member - Ward 1	12/31/2021	
Richard Morrow	Council Member - Ward 2	12/31/2021	
Doug Heffley	Council Member - Ward 3	12/31/2021	
Jeffrey Crabill	Council Member at Large	12/31/2019	

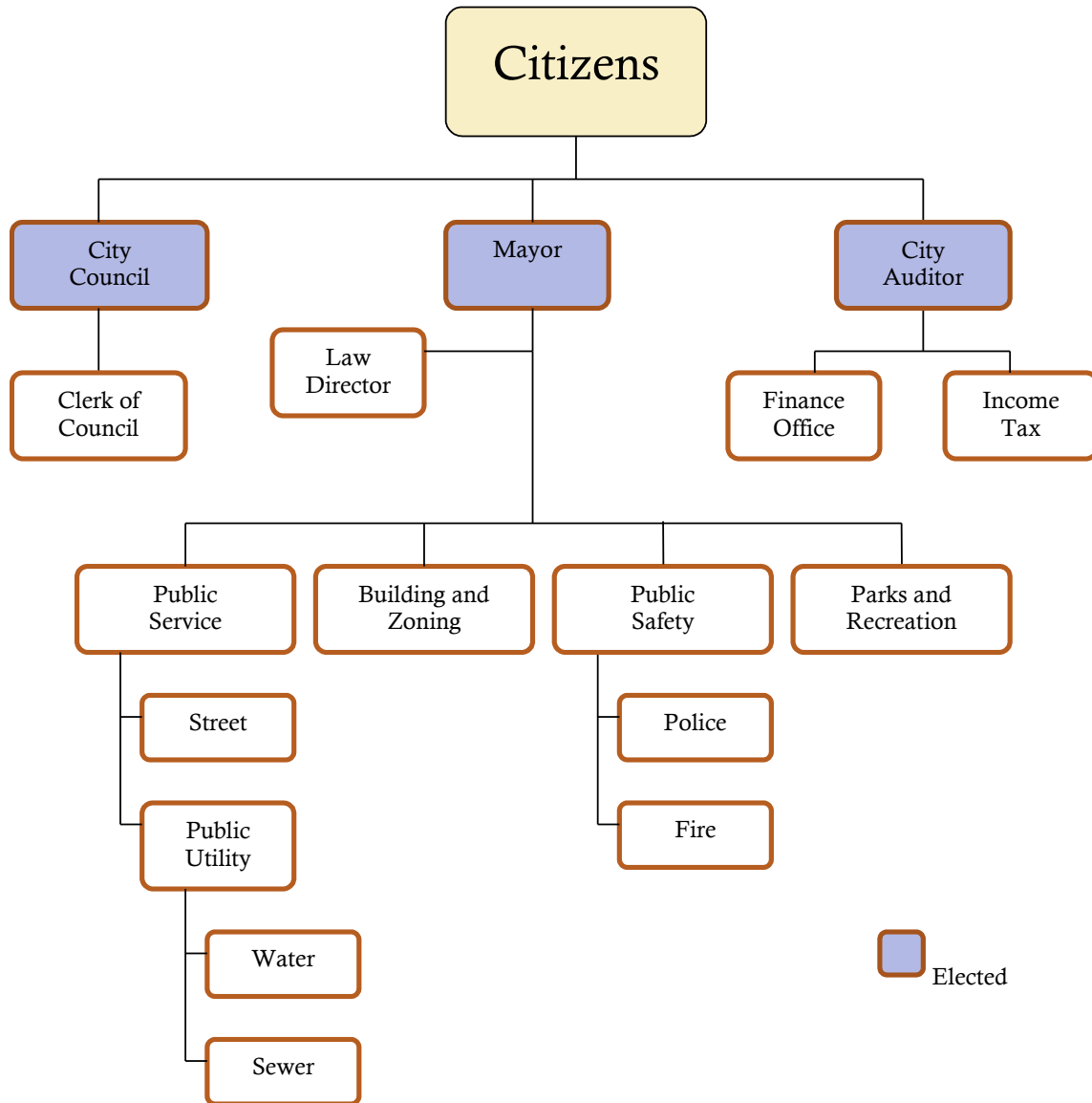
<i>ADMINISTRATIVE PERSONNEL</i>	<i>TITLE</i>	<i>TERM OF OFFICE</i>	<i>SURETY</i>
Kimberly Geller	Income Tax Commissioner	Indefinite	A
David Haren	Police Chief	Indefinite	
Warren McCord	Fire Chief	Indefinite	
John Geller	Utilities Director	Indefinite	
Robert Geller	Street and Parks Superintendent	Indefinite	
Eddie Hunt	Building and Zoning Inspector	Indefinite	
David C. Morrison	Law Director	Indefinite	
Rebecca McComb	Assistant Auditor	Indefinite	
Lynn M. Hunt	Clerk of Council	Indefinite	
Ginna Walker	Mayor's Secretary/Administrative Assistant	Indefinite	
Deborah K. Whitefield	Administrative Assistant	Indefinite	
Charles Kyle	Recreation Director	Indefinite	

(A) \$100,000 Fidelity and Deposit Company of Maryland 06/1/04 - Indefinite
 (B) \$100,000 Ohio Farmers Insurance Company 06/1/04 - Indefinite

City Address:

Heath City Hall
 1287 Hebron Road
 Heath, Ohio 43056
<http://www.heathohio.gov>

**City Organizational Chart
For the Year Ended December 31, 2018**



Boards and Commissions

- | | |
|--------------------------------------|-----------------------------------|
| Parks and Recreation Board | Civil Service Commission |
| Air Pollution Control Board | Planning Commission |
| Board of Zoning and Building Appeals | Reuse Commission / Port Authority |
| | Charter Review Commission |



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Heath
Ohio**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

Christopher P. Morrill

Executive Director/CEO

FINANCIAL SECTION

WILSON, PHILLIPS & AGIN, CPA's, INC.

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ZANESVILLE, OHIO 43701
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COSHOCTON, OHIO 43812
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FAX (740) 622-8171

INDEPENDENT AUDITOR'S REPORT

City of Heath
Licking City
1287 Hebron Road
Heath, Ohio 43056

To the City Council and Management:

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 Heath, Licking 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'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 conducted our audit in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no 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 City of Heath, Licking County, Ohio as of December 31, 2018, and the respective changes in financial position and where applicable, cash flows, thereof, and the respective budgetary comparison for the General Fund and Fire Levy Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis* and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for the 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.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The introductory section, the financial section's combining statements, individual fund statements and schedules and the statistical section information present additional analysis and are not part of the basic financial statements.

The statements and schedules are management's responsibility, and derive from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these statements and schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling statements and schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, these statements and schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 5, 2019, on our consideration of the City of Heath'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 City of Heath's internal control over financial reporting and compliance.

Wilson, Philip & Co., CPAs, Inc.
Zanesville, Ohio
June 5, 2019

The management's discussion and analysis of the City of Heath'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 transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2018 are as follows:

In total, net position increased \$5,734,170. Net position of governmental activities increased \$5,038,246 which represents a 21.4% increase from 2017. Net position of business-type activities increased \$695,924 or 3.7% from 2017.

General revenues accounted for \$10.9 million in revenue or 52.1% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for 47.9% of total revenues of \$20.8 million.

The City had \$10.8 million in expenses related to governmental activities; \$5 million of these expenses were offset by program specific charges for services and sales, grants or contributions. General revenues (primarily taxes) of \$10.8 million assisted in providing for these programs.

Among major funds, the general fund had \$9.4 million in revenues and other financing sources and \$8 million in expenditures and other financing uses. The general fund's fund balance increased \$1.4 to \$3.8 million.

Net position for enterprise funds increased by \$652,401. Revenues increased 9.5% and expenses decreased .5% in 2018 when compared to 2017. The combination of higher revenues coupled with lower expenses accounted for the increase.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis*, the *basic financial statements*, and an optional section that presents *combining statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

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 two enterprise funds to account for water and sewer operations. Both of the enterprise funds are reported as major funds.

The internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions. The City's internal service fund reports on the City's self-insurance programs for employee medical benefits.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City's fiduciary fund is a private purpose trust fund used to account for unclaimed monies.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of the City's net position between December 31, 2018 and 2017:

	Governmental Activities		Business-type Activities		Total	
	Restated		Restated		Restated	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$11,641,483	\$9,145,623	\$6,620,175	\$6,132,025	\$18,261,658	\$15,277,648
Capital assets, Net	39,598,609	35,836,583	22,539,322	23,356,237	62,137,931	59,192,820
Total assets	51,240,092	44,982,206	29,159,497	29,488,262	80,399,589	74,470,468
Deferred Outflows of Resources	2,253,637	2,579,933	310,272	621,149	2,563,909	3,201,082
Net Pension Liability	9,580,175	11,101,723	1,070,589	1,627,978	10,650,764	12,729,701
Net OPEB Liability	8,224,120	7,243,075	691,517	661,656	8,915,637	7,904,731
Long-term debt outstanding	2,979,837	3,401,257	7,526,711	8,378,083	10,506,548	11,779,340
Other liabilities	1,059,175	683,499	121,124	401,339	1,180,299	1,084,838
Total liabilities	21,843,307	22,429,554	9,409,941	11,069,056	31,253,248	33,498,610
Deferred Inflows of Resources	3,098,442	1,618,851	333,238	9,689	3,431,680	1,628,540
Net position						
Net investment in Capital Assets	37,542,871	33,319,642	15,111,321	14,798,264	52,654,192	48,117,906
Restricted	2,177,417	1,847,160	0	0	2,177,417	1,847,160
Unrestricted	(11,168,308)	(11,653,068)	4,615,269	4,232,402	(6,553,039)	(7,420,666)
Total net position	\$28,551,980	\$23,513,734	\$19,726,590	\$19,030,666	\$48,278,570	\$42,544,400

The net pension liability (NPL) is reported by the City pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 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 City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board 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.

***Management's Discussion and Analysis
For the Year Ended December 31, 2018***

Unaudited

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

In accordance with GASB 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 \$30,726,731 to \$23,513,734 for Governmental Activities and from \$19,683,873 to \$19,030,666 for Business-type Activities.

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**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

Changes in Net position – The following table shows the changes in net position for the year 2018 and 2017:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for Services and Sales	\$1,198,614	\$1,123,422	\$4,973,087	\$4,538,959	\$6,171,701	\$5,662,381
Operating Grants and Contributions	762,026	736,615	0	0	762,026	736,615
Capital Grants and Contributions	3,043,724	323,000	0	0	3,043,724	323,000
Total Program Revenues	5,004,364	2,183,037	4,973,087	4,538,959	9,977,451	6,721,996
General revenues:						
Property Taxes	1,549,423	1,455,838	0	0	1,549,423	1,455,838
Income Taxes	8,553,511	6,012,098	0	0	8,553,511	6,012,098
Other Local Taxes	0	10,386	0	0	0	10,386
Intergovernmental Revenue, Unrestricted	452,055	411,529	0	0	452,055	411,529
Investment Earnings	163,323	96,091	12,692	13,252	176,015	109,343
Miscellaneous	129,082	135,219	0	0	129,082	135,219
Total General Revenues	10,847,394	8,121,161	12,692	13,252	10,860,086	8,134,413
Total Revenues	15,851,758	10,304,198	4,985,779	4,552,211	20,837,537	14,856,409
Program Expenses:						
Security of Persons and Property	6,495,829	6,322,655	0	0	6,495,829	6,322,655
Public Health and Welfare Services	57,369	57,369	0	0	57,369	57,369
Leisure Time Activities	1,376,776	1,434,646	0	0	1,376,776	1,434,646
Community Environment	269,307	305,964	0	0	269,307	305,964
Transportation	939,862	1,115,075	0	0	939,862	1,115,075
General Government	1,603,512	1,736,746	0	0	1,603,512	1,736,746
Interest and Fiscal Charges	70,857	79,992	0	0	70,857	79,992
Business Type Activities:						
Water	0	0	2,215,502	2,282,184	2,215,502	2,282,184
Sewer	0	0	2,074,353	2,110,841	2,074,353	2,110,841
Total Expenses	10,813,512	11,052,447	4,289,855	4,393,025	15,103,367	15,445,472
Total Change in Net Position	5,038,246	(748,249)	695,924	159,186	5,734,170	(589,063)
Beginning Net Position, Restated	23,513,734	N/A	19,030,666	N/A	42,544,400	N/A
Ending Net Position, Restated	\$28,551,980	\$23,513,734	\$19,726,590	\$19,030,666	\$48,278,570	\$42,544,400

Governmental Activities

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 \$30,078 for Governmental Activities and \$8,449 for Business-type Activities 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 OPEB expense of \$613,786 for Governmental Activities and \$51,429 for Business-type Activities.

***Management's Discussion and Analysis
For the Year Ended December 31, 2018***

Unaudited

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	\$10,813,512	\$4,289,855
OPEB expense under GASB 75	(613,786)	(51,429)
2018 contractually required contribution	11,845	0
Adjusted 2018 program expenses	10,211,571	4,238,426
Total 2017 program expenses under GASB 45	11,052,447	4,393,025
Change in program expenses not related to OPEB	(\$840,876)	(\$154,599)

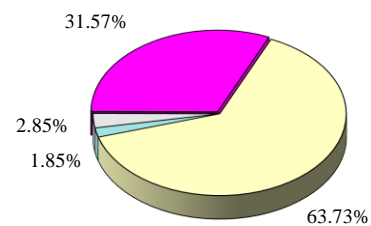
Net position of the City's governmental activities increased by \$5,038,246. Increases in income and property tax collections coupled with grant monies from ODOT for road construction were the largest causes for the increase in overall net position.

In general, the overall revenue generated by the levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes. If three years later the home were reappraised and increased to \$200,000 (and this inflationary increase in value is comparable to other property owners) the effective tax rate would become .5 mills and the owner would still pay \$35.00.

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

Property taxes and income taxes made up 9.8% and 53.9% respectively of revenues for governmental activities for the City in 2018. The City's reliance upon tax revenues is demonstrated by the following graph indicating 63.73% of total revenues from general tax revenues:

Revenue Sources	2018	Percent of Total
Intergovernmental Revenue, Unrestricted	\$452,055	2.85%
Program Revenues	5,004,364	31.57%
General Tax Revenues	10,102,934	63.73%
General Other	292,405	1.85%
Total Revenue	<u>\$15,851,758</u>	<u>100.00%</u>



Business-Type Activities

Net position of the business-type activities increased by \$695,924. The 3.7% increase in net position can be attributed primarily to revenues outpacing expenses in 2018.

CITY OF HEATH, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$8,414,243, which is an increase from last year's balance of \$6,689,756. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2018 and 2017:

	Fund Balance December 31, 2018	Fund Balance December 31, 2017	Increase (Decrease)
General	\$4,810,723	\$3,453,106	\$1,357,617
Fire Levy	695,950	537,158	158,792
Capital Improvement Fund	1,228,164	1,345,535	(117,371)
Other Governmental	1,679,406	1,353,957	325,449
Total	<u>\$8,414,243</u>	<u>\$6,689,756</u>	<u>\$1,724,487</u>

General Fund – The City's General Fund balance increased 39.3% from 2017. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2018 Revenues	2017 Revenues	Increase (Decrease)
Taxes	\$8,139,773	\$6,244,680	\$1,895,093
Intergovernmental Revenue	283,968	282,518	1,450
Charges for Services	521,569	489,428	32,141
Licenses and Permits	115,362	92,882	22,480
Investment Earnings	154,167	89,419	64,748
Fines and Forfeitures	10,936	13,799	(2,863)
All Other Revenue	129,082	135,219	(6,137)
Total	<u>\$9,354,857</u>	<u>\$7,347,945</u>	<u>\$2,006,912</u>

General Fund revenues increased by 30.3% under 2017. Income taxes and property tax collections both increased substantially.

	2018 Expenditures	2017 Expenditures	Increase (Decrease)
Security of Persons and Property	\$4,653,301	\$4,479,073	\$174,228
Public Health and Welfare Services	57,369	57,369	0
Leisure Time Activities	588,235	563,244	24,991
Community Environment	245,842	252,890	(7,048)
General Government	1,538,505	1,367,993	170,512
Debt Service:			
Principal Retirement	11,949	0	11,949
Total	<u>\$7,095,201</u>	<u>\$6,720,569</u>	<u>\$374,632</u>

***Management’s Discussion and Analysis
For the Year Ended December 31, 2018***

Unaudited

General Fund expenditures increased by \$374,632 or 5.6% over the prior year. Differences between all functions except security of persons are minor and the result of normal City operations.

Fire Levy Fund – The balance of this fund increased by \$158,792 or 29.6% over the prior year primarily as a result of decreased capital expenditures in 2018 versus 2017.

Capital Improvement Fund – The balance in this fund can vary depending upon the level of capital projects taking place in a given year. For 2018, the balance in this fund decreased by \$117,371 as a result of multiple infrastructure projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

The variances between the final budget and the actual revenues are solely the result of the City Auditor’s decision to conservatively estimate revenues. The City increased its expenditure budget by \$429,837 to account for additional transfers out and Security of Persons and Property and General Government expenditures. The largest variances between the final budget and actual expenditures were \$309,159 in Security of Persons and Property and \$189,370 in Leisure Time Activities. The large variances in both of those functions are due to imposed expenditure restraints.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018 the City had \$62,137,931 net of accumulated depreciation invested in land, construction in progress, buildings, improvements other than buildings, machinery and equipment and infrastructure. Of this total, \$39,598,609 was related to governmental activities and \$22,539,322 to the business-type activities. The following table shows 2018 and 2017 balances:

	Governmental Activities		Increase (Decrease)
	2018	2017	
Land	\$10,198,981	\$10,075,521	\$123,460
Construction in Progress	0	4,500	(4,500)
Total Non-Depreciable Capital Assets	<u>10,198,981</u>	<u>10,080,021</u>	<u>118,960</u>
Buildings	6,655,038	6,515,070	139,968
Improvements Other Than Buildings	5,262,431	4,258,277	1,004,154
Machinery and Equipment	7,307,291	6,906,201	401,090
Infrastructure	32,654,248	30,059,779	2,594,469
Less: Accumulated Depreciation	<u>(22,479,380)</u>	<u>(21,982,765)</u>	<u>(496,615)</u>
Total Depreciable Capital Assets, Net	<u>29,399,628</u>	<u>25,756,562</u>	<u>3,643,066</u>
Totals	<u>\$39,598,609</u>	<u>\$35,836,583</u>	<u>\$3,762,026</u>

CITY OF HEATH, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2018**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2018	2017	
Land	\$985,374	\$985,374	\$0
Construction in Progress	0	155,576	(155,576)
Total Non-Depreciable Capital Assets	985,374	1,140,950	(155,576)
Buildings	17,018,225	17,018,225	0
Improvements Other Than Buildings	3,922,977	3,922,977	0
Machinery and Equipment	6,620,823	6,537,968	82,855
Infrastructure	19,535,125	19,339,367	195,758
Less: Accumulated Depreciation	(25,543,202)	(24,603,250)	(939,952)
Total Depreciable Capital Assets, Net	21,553,948	22,215,287	(661,339)
Totals	\$22,539,322	\$23,356,237	(\$816,915)

The largest increase in governmental activities capital assets occurred in infrastructure and was mainly a result of the City's repaving program and SR 79 construction.

Additional information on the City's capital assets can be found in Note 9.

Debt

At December 31, 2018, the City had \$2,560,245 in bonds outstanding, \$550,662 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2018 and 2017:

	2018	Restated 2017
Governmental Activities:		
General Obligation Bonds	\$1,185,000	\$1,560,000
Installment Loans Payable	477,907	592,610
Capital Leases	392,831	364,331
Compensated Absences	924,099	884,316
Net Pension Liability	9,580,175	11,101,723
Net OPEB Liability	8,224,120	7,243,075
Total Governmental Activities	20,784,132	21,746,055
Business-Type Activities:		
General Obligation Bonds	1,375,245	1,538,492
General Obligation Notes	0	313,700
OWDA Loans	5,333,868	5,729,538
OPWC Loans	527,008	418,129
Capital Leases	191,880	283,814
Compensated Absences	98,710	94,410
Net Pension Liability	1,070,589	1,627,978
Net OPEB Liability	691,517	661,656
Total Business-Type Activities	9,288,817	10,667,717
Totals	\$30,072,949	\$32,413,772

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which the City lies, is limited to ten mills. At December 31, 2018, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 16.

ECONOMIC FACTORS

Income tax collections for 2018 increased 42.3% from 2017.

In an effort to reduce expenses, capital projects and capital acquisitions were dramatically reduced, and only those items that were really necessary were appropriated. Also affecting the General Fund and budget are the upwardly spiraling health insurance costs.

City Council continues to review the possibility of increasing existing revenue sources.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the Auditor's Office by calling (740) 522-1420 or writing to City of Heath Auditor's Office, 1287 Hebron Rd., Heath, Ohio 43056.



CITY OF HEATH, OHIO

**Statement of Net Position
December 31, 2018**

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Cash Equivalents	\$ 3,585,831	\$ 1,204,409	\$ 4,790,240
Investments	4,672,243	4,722,978	9,395,221
Receivables:			
Taxes	2,597,385	0	2,597,385
Accounts	7,695	478,399	486,094
Intergovernmental	413,629	0	413,629
Internal Balances	11,389	(11,389)	0
Inventory of Supplies at Cost	104,252	188,160	292,412
Prepaid Items	147,798	37,618	185,416
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	101,261	0	101,261
Non-Depreciable Capital Assets	10,198,981	985,374	11,184,355
Depreciable Capital Assets, Net	29,399,628	21,553,948	50,953,576
Total Assets	51,240,092	29,159,497	80,399,589
Deferred Outflows of Resources:			
Pension	1,473,941	259,384	1,733,325
OPEB	779,696	50,888	830,584
Total Deferred Outflows of Resources	2,253,637	310,272	2,563,909
Liabilities:			
Accounts Payable	590,309	41,653	631,962
Accrued Wages and Benefits Payable	324,347	62,498	386,845
Intergovernmental Payable	3,175	0	3,175
Claims Payable	122,812	0	122,812
Accrued Interest Payable	18,532	16,973	35,505
Noncurrent liabilities:			
Due within one year	588,179	846,749	1,434,928
Due in more than one year:			
Net Pension Liability	9,580,175	1,070,589	10,650,764
Net OPEB Liability	8,224,120	691,517	8,915,637
Other Amounts Due in More Than One Year	2,391,658	6,679,962	9,071,620
Total Liabilities	21,843,307	9,409,941	31,253,248
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	1,714,659	0	1,714,659
Pension	1,013,269	269,231	1,282,500
OPEB	370,514	64,007	434,521
Total Deferred Inflows of Resources:	3,098,442	333,238	3,431,680
Net Position:			
Net Investment in Capital Assets	37,542,871	15,111,321	52,654,192
Restricted For:			
Security of Persons	890,564	0	890,564
Transportation	1,179,124	0	1,179,124
Leisure Time Activities	107,729	0	107,729
Unrestricted (Deficit)	(11,168,308)	4,615,269	(6,553,039)
Total Net Position	\$ 28,551,980	\$ 19,726,590	\$ 48,278,570

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Activities
For the Year Ended December 31, 2018**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 6,495,829	\$ 598,569	\$ 0	\$ 20,123
Public Health and Welfare Services	57,369	0	0	0
Leisure Time Activities	1,376,776	536,648	0	15,857
Community Environment	269,307	33,682	0	0
Transportation	939,862	14,046	762,026	3,007,744
General Government	1,603,512	15,669	0	0
Interest and Fiscal Charges	70,857	0	0	0
Total Governmental Activities	10,813,512	1,198,614	762,026	3,043,724
Business-Type Activities:				
Water	2,215,502	2,560,275	0	0
Sewer	2,074,353	2,412,812	0	0
Total Business-Type Activities	4,289,855	4,973,087	0	0
Totals	\$ 15,103,367	\$ 6,171,701	\$ 762,026	\$ 3,043,724

General Revenues:

Property Taxes
Municipal Income Taxes
Intergovernmental Revenues, Unrestricted
Investment Earnings
Miscellaneous
Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year, Restated

Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (5,877,137)	\$ 0	\$ (5,877,137)
(57,369)	0	(57,369)
(824,271)	0	(824,271)
(235,625)	0	(235,625)
2,843,954	0	2,843,954
(1,587,843)	0	(1,587,843)
(70,857)	0	(70,857)
<u>(5,809,148)</u>	<u>0</u>	<u>(5,809,148)</u>
0	344,773	344,773
0	338,459	338,459
<u>0</u>	<u>683,232</u>	<u>683,232</u>
<u>(5,809,148)</u>	<u>683,232</u>	<u>(5,125,916)</u>
1,549,423	0	1,549,423
8,553,511	0	8,553,511
452,055	0	452,055
163,323	12,692	176,015
129,082	0	129,082
<u>10,847,394</u>	<u>12,692</u>	<u>10,860,086</u>
5,038,246	695,924	5,734,170
<u>23,513,734</u>	<u>19,030,666</u>	<u>42,544,400</u>
<u>\$ 28,551,980</u>	<u>\$ 19,726,590</u>	<u>\$ 48,278,570</u>

CITY OF HEATH, OHIO

**Balance Sheet
Governmental Funds
December 31, 2018**

	General	Fire Levy	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and Cash Equivalents	\$ 872,835	\$ 705,190	\$ 344,606	\$ 1,581,918	\$ 3,504,549
Investments	3,320,902	0	1,351,341	0	4,672,243
Receivables:					
Taxes	1,455,020	859,693	56,001	226,671	2,597,385
Accounts	7,695	0	0	0	7,695
Intergovernmental	62,288	30,668	0	320,673	413,629
Inventory of Supplies, at Cost	43,484	0	0	60,768	104,252
Prepaid Items	123,103	4,355	0	20,340	147,798
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	0	0	0	101,261	101,261
Total Assets	\$ 5,885,327	\$ 1,599,906	\$ 1,751,948	\$ 2,311,631	\$ 11,548,812
Liabilities:					
Accounts Payable	\$ 54,792	\$ 0	\$ 518,511	\$ 17,006	\$ 590,309
Accrued Wages and Benefits Payable	201,358	13,595	0	109,394	324,347
Intergovernmental Payable	885	0	0	2,290	3,175
Total Liabilities	257,035	13,595	518,511	128,690	917,831
Deferred Inflows of Resources:					
Unavailable Amounts	131,360	41,123	5,273	324,323	502,079
Property Tax Levy for Next Fiscal Year	686,209	849,238	0	179,212	1,714,659
Total Deferred Inflows of Resources	817,569	890,361	5,273	503,535	2,216,738
Fund Balances:					
Nonspendable	166,587	4,355	0	81,108	252,050
Restricted	0	691,595	0	1,173,525	1,865,120
Committed	0	0	1,228,164	424,773	1,652,937
Assigned	544,515	0	0	0	544,515
Unassigned	4,099,621	0	0	0	4,099,621
Total Fund Balances	4,810,723	695,950	1,228,164	1,679,406	8,414,243
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,885,327	\$ 1,599,906	\$ 1,751,948	\$ 2,311,631	\$ 11,548,812

See accompanying notes to the basic financial statements

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2018***

Total Governmental Fund Balances	\$ 8,414,243
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital Assets used in governmental activities are not resources and therefore are not reported in the funds.	39,598,609
Other long-term assets are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.	502,079
Long-term liabilities, including bonds payable and interest, are not due and payable in the current period and therefore are not reported in the funds.	(2,998,369)
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.	(16,934,441)
The Internal Service Fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund is included in governmental activities in the statement of net position. This is the balance that is recorded in the governmental activities.	<u>(30,141)</u>
<i>Net Position of Governmental Activities</i>	<u>\$ 28,551,980</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

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

	General	Fire Levy	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 8,139,773	\$ 769,068	\$ 567,582	\$ 616,267	\$ 10,092,690
Intergovernmental Revenues	283,968	61,336	3,043,724	699,383	4,088,411
Charges for Services	521,569	0	0	519,020	1,040,589
Licenses and Permits	115,362	0	0	0	115,362
Investment Earnings	154,167	6,232	0	2,924	163,323
Fines and Forfeitures	10,936	0	0	51,558	62,494
All Other Revenue	129,082	4,962	22,123	35,219	191,386
Total Revenues	9,354,857	841,598	3,633,429	1,924,371	15,754,255
Expenditures:					
Current:					
Security of Persons and Property	4,653,301	493,274	93,662	556,342	5,796,579
Public Health and Welfare Services	57,369	0	0	0	57,369
Leisure Time Activities	588,235	0	73,802	451,709	1,113,746
Community Environment	245,842	0	0	0	245,842
Transportation	0	0	3,583,336	1,168,357	4,751,693
General Government	1,538,505	0	0	0	1,538,505
Debt Service:					
Principal Retirement	11,949	171,764	0	467,926	651,639
Interest and Fiscal Charges	0	17,768	0	49,849	67,617
Total Expenditures	7,095,201	682,806	3,750,800	2,694,183	14,222,990
Excess (Deficiency) of Revenues Over Expenditures	2,259,656	158,792	(117,371)	(769,812)	1,531,265
Other Financing Sources (Uses):					
Capital Lease Initiated	43,334	0	0	147,102	190,436
Transfers In	0	0	0	950,683	950,683
Transfers Out	(950,683)	0	0	0	(950,683)
Total Other Financing Sources (Uses)	(907,349)	0	0	1,097,785	190,436
Net Change in Fund Balances	1,352,307	158,792	(117,371)	327,973	1,721,701
Fund Balances at Beginning of Year	3,453,106	537,158	1,345,535	1,353,957	6,689,756
Change in Inventory Reserve	5,310	0	0	(2,524)	2,786
Fund Balances End of Year	\$ 4,810,723	\$ 695,950	\$ 1,228,164	\$ 1,679,406	\$ 8,414,243

See accompanying notes to the basic financial statements

***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 \$ 1,721,701

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation. 3,859,199

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (97,173)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 97,503

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. 784,803

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities. (1,916,847)

The issuance of long-term debt provides current financial resources while the repayment of principal of long-term debt consumes current financial resources of governmental funds, however, neither effects net position. 461,203

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (3,240)

Some expenses reported in the statement of activities, such as change in inventory and compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. (36,997)

The Internal Service Fund is used to charge the cost of services (e.g. insurance) to individual funds and is not included in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the City's Internal Service Fund is allocated among the governmental activities. 168,094

Change in Net Position of Governmental Activities \$ 5,038,246

See accompanying notes to the basic financial statements

CITY OF HEATH, 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**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 7,204,250	\$ 7,118,509	\$ 7,929,032	\$ 810,523
Intergovernmental Revenue	274,700	274,700	284,154	9,454
Charges for Services	479,562	479,562	521,569	42,007
Licenses and Permits	68,200	68,200	115,362	47,162
Investment Earnings	125,000	125,000	203,901	78,901
Fines and Forfeitures	12,200	12,200	10,366	(1,834)
All Other Revenues	50,600	50,600	129,082	78,482
Total Revenues	<u>8,214,512</u>	<u>8,128,771</u>	<u>9,193,466</u>	<u>1,064,695</u>
Expenditures:				
Current:				
Security of Persons and Property	4,897,411	5,001,304	4,692,145	309,159
Public Health and Welfare Services	58,000	58,000	57,369	631
Leisure Time Activities	749,072	754,977	565,607	189,370
Community Environment	299,732	302,094	249,549	52,545
General Government	1,516,138	1,655,757	1,557,418	98,339
Total Expenditures	<u>7,520,353</u>	<u>7,772,132</u>	<u>7,122,088</u>	<u>650,044</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	694,159	356,639	2,071,378	1,714,739
Other Financing Sources (Uses):				
Transfers Out	(772,625)	(950,683)	(950,683)	0
Total Other Financing Sources (Uses):	<u>(772,625)</u>	<u>(950,683)</u>	<u>(950,683)</u>	<u>0</u>
Net Change in Fund Balance	(78,466)	(594,044)	1,120,695	1,714,739
Fund Balance at Beginning of Year	2,948,549	2,948,549	2,948,549	0
Prior Year Encumbrances	131,721	131,721	131,721	0
Fund Balance at End of Year	<u>\$ 3,001,804</u>	<u>\$ 2,486,226</u>	<u>\$ 4,200,965</u>	<u>\$ 1,714,739</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Fire Levy Fund
For the Year Ended December 31, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 751,440	\$ 741,930	\$ 769,068	\$ 27,138
Intergovernmental Revenue	57,646	95,828	61,336	(34,492)
Investment Earnings	0	0	6,232	6,232
All Other Revenues	0	2,267	4,962	2,695
Total Revenues	<u>809,086</u>	<u>840,025</u>	<u>841,598</u>	<u>1,573</u>
Expenditures:				
Current:				
Security of Persons and Property	554,590	583,723	527,937	55,786
Debt Service:				
Principal Retirement	171,764	171,764	171,750	14
Interest and Fiscal Charges	17,885	17,885	17,782	103
Total Expenditures	<u>744,239</u>	<u>773,372</u>	<u>717,469</u>	<u>55,903</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	64,847	66,653	124,129	57,476
Fund Balance at Beginning of Year	462,239	462,239	462,239	0
Prior Year Encumbrances	101,993	101,993	101,993	0
Fund Balance at End of Year	<u>\$ 629,079</u>	<u>\$ 630,885</u>	<u>\$ 688,361</u>	<u>\$ 57,476</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2018**

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Water	Sewer	Total Enterprise Funds	
ASSETS:				
Current assets:				
Cash and Cash Equivalents	\$ 487,865	\$ 716,544	\$ 1,204,409	\$ 81,282
Investments	1,913,117	2,809,861	4,722,978	0
Receivables:				
Accounts	223,226	255,173	478,399	0
Inventory of Supplies at Cost	179,186	8,974	188,160	0
Prepaid Items	17,275	20,343	37,618	0
Total current assets	<u>2,820,669</u>	<u>3,810,895</u>	<u>6,631,564</u>	<u>81,282</u>
Noncurrent assets:				
Non-Depreciable Capital Assets	893,427	91,947	985,374	0
Depreciable Capital Assets, Net	12,077,466	9,476,482	21,553,948	0
Total noncurrent assets	<u>12,970,893</u>	<u>9,568,429</u>	<u>22,539,322</u>	<u>0</u>
Total Assets	<u>15,791,562</u>	<u>13,379,324</u>	<u>29,170,886</u>	<u>81,282</u>
Deferred Outflows of Resources:				
Pension	131,063	128,321	259,384	0
OPEB	25,713	25,175	50,888	0
Total Deferred Outflows of Resources	<u>156,776</u>	<u>153,496</u>	<u>310,272</u>	<u>0</u>
LIABILITIES:				
Current Liabilities:				
Accounts Payable	34,896	6,757	41,653	0
Accrued Wages and Benefits Payable	31,244	31,254	62,498	0
Claims Payable	0	0	0	122,812
Accrued Interest Payable	16,973	0	16,973	0
Capital Leases Payable - Current	94,582	0	94,582	0
General Obligation Bonds Payable - Current	300,662	0	300,662	0
OWDA Loans Payable - Current	54,567	354,355	408,922	0
OPWC Loans Payable - Current	26,546	3,476	30,022	0
Compensated Absences Payable - Current	6,688	5,873	12,561	0
Total current liabilities	<u>566,158</u>	<u>401,715</u>	<u>967,873</u>	<u>122,812</u>

CITY OF HEATH, OHIO

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Water	Sewer	Total Enterprise Funds	
Noncurrent liabilities:				
Capital Leases Payable	97,298	0	97,298	0
General Obligation Bonds Payable	1,074,583	0	1,074,583	0
OWDA Loans Payable	1,272,746	3,705,575	4,978,321	0
OPWC Loans Payable	377,590	66,021	443,611	0
Compensated Absences Payable	34,758	51,391	86,149	0
Net Pension Liability	540,953	529,636	1,070,589	0
Net OPEB Liability	349,413	342,104	691,517	0
Total noncurrent liabilities	<u>3,747,341</u>	<u>4,694,727</u>	<u>8,442,068</u>	<u>0</u>
Total Liabilities	<u>4,313,499</u>	<u>5,096,442</u>	<u>9,409,941</u>	<u>122,812</u>
Deferred Inflows of Resources:				
Pension	136,038	133,193	269,231	0
OPEB	32,342	31,665	64,007	0
Total Deferred Inflows of Resources	<u>168,380</u>	<u>164,858</u>	<u>333,238</u>	<u>0</u>
NET POSITION:				
Net Investment in Capital Assets	9,672,319	5,439,002	15,111,321	0
Unrestricted	1,794,140	2,832,518	4,626,658	(41,530)
Total net position	<u>\$ 11,466,459</u>	<u>\$ 8,271,520</u>	<u>19,737,979</u>	<u>\$ (41,530)</u>
			Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.	(11,389)
			Net Position of Business-type Activities	<u>\$ 19,726,590</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

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

	Business-Type Activities			Governmental Activities - Internal Service Fund
	Enterprise Funds			
	Water	Sewer	Total Enterprise Funds	
Operating Revenues:				
Charges for Services	\$ 2,276,056	\$ 2,406,268	\$ 4,682,324	\$ 1,110,204
Other Operating Revenue	284,219	6,544	290,763	508,232
Total Operating Revenues	<u>2,560,275</u>	<u>2,412,812</u>	<u>4,973,087</u>	<u>1,618,436</u>
Operating Expenses:				
Personal Services	809,322	811,053	1,620,375	0
Contractual Services	703,989	659,077	1,363,066	0
Materials and Supplies	75,945	54,822	130,767	0
Health Claims Expense	0	0	0	1,406,819
Depreciation	572,460	440,263	1,012,723	0
Total Operating Expenses	<u>2,161,716</u>	<u>1,965,215</u>	<u>4,126,931</u>	<u>1,406,819</u>
Operating Income (Loss)	398,559	447,597	846,156	211,617
Non-operating Revenue (Expenses):				
Investment Earnings	449	12,243	12,692	0
Interest and Fiscal Charges	(76,926)	(129,521)	(206,447)	0
Total Non-operating Revenues (Expenses)	<u>(76,477)</u>	<u>(117,278)</u>	<u>(193,755)</u>	<u>0</u>
Change in Net Position	322,082	330,319	652,401	211,617
Net Position Beginning of Year	11,144,377	7,941,201	19,085,578	(253,147)
Net Position End of Year	<u>\$ 11,466,459</u>	<u>\$ 8,271,520</u>	<u>19,737,979</u>	<u>\$ (41,530)</u>
			Change in Net Position - Total Enterprise Funds	652,401
			Adjustment to reflect the consolidation of internal fund activities related to the enterprise funds.	43,523
			Change in Net Position - Business-type Activities	<u>\$ 695,924</u>

See accompanying notes to the basic financial statements



CITY OF HEATH, OHIO

***Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018***

	Business-Type Activities Enterprise Funds			Governmental- Activities
	Water	Sewer	Total	Internal Service Fund
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$2,309,128	\$2,403,589	\$4,712,717	\$0
Cash Received from Interfund Services	0	0	0	1,110,204
Cash Payments for Goods and Services	(908,488)	(739,341)	(1,647,829)	(1,584,759)
Cash Payments to Employees	(767,890)	(735,294)	(1,503,184)	0
Other Operating Cash Receipts	284,219	6,544	290,763	508,232
Net Cash Provided by Operating Activities	916,969	935,498	1,852,467	33,677
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Principal Paid on General Obligation Bonds	(476,947)	0	(476,947)	0
Ohio Public Works Commission Loan Initiated	127,039	0	127,039	0
Issuance on General Obligation Bond Payable	313,700	0	313,700	0
Principal Paid on Capital Lease Payable	(91,934)	0	(91,934)	0
Acquisition and Construction of Assets	(157,150)	(38,658)	(195,808)	0
Principal Paid on General Obligation Note	(588,000)	0	(588,000)	0
Principal Paid on Ohio Water Development Authority Loans	(53,375)	(342,295)	(395,670)	0
Principal Paid on Ohio Public Works Commission Loans	(14,684)	(3,476)	(18,160)	0
Interest Paid on All Debt	(80,235)	(129,521)	(209,756)	0
Net Cash Used for Capital and Related Financing Activities	(1,021,586)	(513,950)	(1,535,536)	0
<u>Cash Flows from Investing Activities:</u>				
Sale of Investments	434,794	88,641	523,435	0
Receipts of Interest	449	12,243	12,692	0
Net Cash Provided for Investing Activities	435,243	100,884	536,127	0
Net Increase in Cash and Cash Equivalents	330,626	522,432	853,058	33,677
Cash and Cash Equivalents at Beginning of Year	157,239	194,112	351,351	47,605
Cash and Cash Equivalents at End of Year	\$487,865	\$716,544	\$1,204,409	\$81,282

CITY OF HEATH, OHIO

	Business-Type Activities Enterprise Funds			Governmental- Activities
	Water	Sewer	Total	Internal Service Fund
<u>Reconciliation of Operating Income to Net Cash</u>				
<u>Provided by Operating Activities:</u>				
Operating Income	\$398,559	\$447,597	\$846,156	\$211,617
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation Expense	572,460	440,263	1,012,723	0
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	33,072	(2,679)	30,393	0
Increase in Inventory	(139,083)	(3,865)	(142,948)	0
Increase in Prepaid Items	(1,446)	(1,003)	(2,449)	0
Decrease in Deferred Outflows - Pension	187,142	166,174	353,316	0
Increase in Deferred Outflows - OPEB	(21,325)	(21,114)	(42,439)	0
Increase (Decrease) in Accounts Payable	11,218	(21,331)	(10,113)	0
Decrease in Health Claims Payable	0	0	0	(177,940)
Increase in Accrued Wages and Benefits Payable	2,299	5,208	7,507	0
Increase in Compensated Absences Payable	172	4,128	4,300	0
Increase in Deferred Inflows - Pension	131,006	128,536	259,542	0
Increase in Deferred Inflows - OPEB	32,342	31,665	64,007	0
Decrease in Net Pension Liability	(304,535)	(252,854)	(557,389)	0
Increase in Net OPEB Liability	15,088	14,773	29,861	0
Total Adjustments	518,410	487,901	1,006,311	(177,940)
Net Cash Provided by Operating Activities	\$916,969	\$935,498	\$1,852,467	\$33,677

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Net Position
Fiduciary Fund
December 31, 2018**

	Private Purpose Trust
Assets:	
Cash and Cash Equivalents	\$ 7,707
Total Assets	<u>7,707</u>
Liabilities:	
Total Liabilities	<u>0</u>
Net Position:	
Unrestricted	7,707
Total Net Position	<u>\$ 7,707</u>

See accompanying notes to the basic financial statements

CITY OF HEATH, OHIO

**Statement of Changes in Net Position
Fiduciary Fund
For the Year Ended December 31, 2018**

	Private Purpose Trust
Additions:	
Total Additions	\$ 0
Deductions:	
Reimbursements	34
Total Deductions	34
Change in Net Position	(34)
Net Position at Beginning of Year	7,741
Net Position End of Year	\$ 7,707

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Heath, Ohio (the "City") is a home rule municipal corporation created under the laws of the State of Ohio. Heath was first incorporated as a village on March 21, 1952 and achieved city status on April 28, 1965. The City currently operates under and is governed by its own Charter. The current Charter, which provides for a Mayor-Council form of government, was adopted in 1964.

The financial statements are presented as of December 31, 2018 and for the year then ended and have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (the "GASB") Statement No. 14, *"The Financial Reporting Entity,"* as amended by GASB Statement No. 39, *"Determining Whether Certain Organizations Are Component Units"* and GASB Statement No. 61, *"The Financial Reporting Entity; Omnibus"* in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which include the following services: police and fire protection, emergency medical, parks, recreation, planning, zoning, street maintenance and other governmental services. In addition, the City owns and operates a water treatment and distribution system and a wastewater treatment and collection system which are reported as enterprise funds.

B. Basis of Presentation - Fund Accounting

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

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

Fire Levy Fund – This fund is used to account for property tax collected and designated for the operations of the Fire Department.

Capital Improvement Fund – This fund is used to account for the major capital projects undertaken by the City.

Proprietary Funds - All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.

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

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

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

Internal Service Fund - This fund is used to account for health insurance services provided to other departments or agencies of the governmental unit on a cost-reimbursement basis.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Fiduciary funds are used to account for assets held by the City under a trust agreement for individuals, private organizations or other governments and therefore not available to support the City's own programs. The City's only fiduciary fund is a private-purpose trust that accounts for unclaimed monies.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements

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

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

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

Fiduciary funds are reported using the economic resources measurement focus.

D. Basis of Accounting

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

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

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

Property taxes measurable as of December 31, 2018 but which are not intended to finance 2018 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflows of resources as further described in Note 6.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The accrual basis of accounting is utilized for reporting purposes for the government-wide, the proprietary fund and the fiduciary fund financial statements. Revenues are recognized when they are earned and expenses are recognized when they are incurred.

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The legal level of budgetary control is by fund at the object level (personal services, materials and supplies, contractual services, etc.) by department. Budgetary modifications may only be made by ordinance of the City Council.

1. 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 Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources which states the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2018.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

2. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the fund, department and object level and may be modified during the year by Ordinance of City Council. Total fund appropriations may not exceed the current estimated resources certified by the County Budget Commission. Expenditures may not legally exceed budgeted appropriations at the object level. During 2018, several supplemental appropriations were necessary to budget for unanticipated expenditures. Administrative control is maintained through the establishment of more detailed line-item budgets. Funds may be moved from one line-item account to another within the same object without approval of City Council. The City Auditor maintains an accounting of the line-item expenditures to insure that the total expenditures within a department by object do not exceed approved appropriations. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of City Council. The budgetary figures, which appear on the budgetary statements, are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

3. Lapsing of Appropriations

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

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

4. Budgetary Basis of Accounting

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

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and Fire Levy Fund is shown below:

	Net Change in Fund Balance	
	General Fund	Fire Levy Fund
GAAP Basis (as reported)	\$1,352,307	\$158,792
Increase (Decrease):		
Accrued Revenues at December 31, 2018 received during 2019	(605,587)	0
Accrued Revenues at December 31, 2017 received during 2018	444,196	0
Accrued Expenditures at December 31, 2018 paid during 2019	257,035	13,595
Accrued Expenditures at December 31, 2017 paid during 2018	(227,525)	(32,698)
2017 Prepays for 2018	117,991	5,624
2018 Prepays for 2019	(123,103)	(4,355)
Outstanding Encumbrances	(94,619)	(16,829)
Budget Basis	<u>\$1,120,695</u>	<u>\$124,129</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Cash and Cash Equivalents

During year 2018, cash and cash equivalents included amounts in demand deposits, certificates of deposit and Money Market accounts.

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

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and GASB Statement No. 72, "Fair Value Measurement and Application", the City reports its investments at fair value, except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements. Fair value is determined by quoted market prices.

H. Inventory

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

I. Prepaid Items

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental Activities capital assets are those not directly related to the business-type activities. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost or estimated historical cost for assets not purchased in recent years.

Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

Capital assets include land, construction in progress, buildings, improvements other than buildings, machinery and equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of governmental activities infrastructure include roads, curbs, sidewalks and storm sewers. These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

2. Property, Plant and Equipment – Business-Type Activities

Proprietary funds capital assets are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at acquisition value at the date received. Proprietary funds capital assets are similar to Governmental Activities capital assets with the exception of the infrastructure. Proprietary infrastructure consists of water and sewer lines. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Position and in the respective funds.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation (Continued)

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress.

Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	15 – 40
Improvements Other Than Buildings	50
Machinery and Equipment	5 – 10
Infrastructure	15 - 100

K. Long-Term Obligations

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

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	Swimming Pool Fund, Debt Service Fund, Water Fund
Installment Loans Payable	Debt Service Fund
Capital Leases	Street Construction, Maintenance and Repair Fund, Fire Levy Fund, Water Fund
Ohio Water Development Authority Loans	Water Fund, Sewer Fund
Ohio Public Works Commission Loan	Water Fund, Sewer Fund
Net Pension Liability	General Fund, Street Construction, Maintenance and Repair Fund, Swimming Pool Fund, Fire Pension Fund, Police Pension Fund, Water Fund, Sewer Fund
Compensated Absences	General Fund, Street Construction, Maintenance and Repair Fund, Fire Levy Fund, Water Fund, Sewer Fund

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences

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

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

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

M. Restricted Assets

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

N. Pension/OPEB

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

O. Operating Revenues and Expenses

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Self-Funded Insurance

The City is self-funded for employee health care benefits. The program is administered by Medical Benefit Administrators Inc., which provides claims review and processing services. Each City fund is charged for its proportionate share of covered employees. The City records a liability in claims payable for incurred but unreported claims at year end based upon an analysis of historical claims and expenses.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Flows of cash or goods from one fund to another with a requirement for repayment are reported as Interfund Loans Receivable/Payable. There were no outstanding interfund loans at December 31, 2018. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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

R. Fund Balance

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

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

R. Fund Balance (Continued)

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

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

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

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

S. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction and improvement of those assets, increased by unspent debt proceeds which existed at December 31, 2018. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City reports for deferred pension/OPEB amounts. Deferred outflows of resources are reported for pension/OPEB amounts on the government-wide and proprietary funds statement of net position. See Notes 10 and 11.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows.

In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for property taxes, income taxes and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the government-wide and proprietary funds statement of net position. See Notes 10 and 11.

U. Fair Value

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,” Statement No. 85, “Omnibus 2017,” and Statement No. 86, “Certain Debt Extinguishment Issues.”

GASB Statement No. 75 addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to OPEB.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

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 75 had the following effect on net position as reported December 31, 2017:

	Governmental Activities	Business-type Activities	Water Fund	Sewer Fund
Net position December 31, 2017	\$30,726,731	\$19,683,873	\$11,474,314	\$8,264,471
Adjustments:				
Net OPEB Liability	(7,243,075)	(661,656)	(334,325)	(327,331)
Deferred Outflow - Payments Subsequent to the Measurement Date	30,078	8,449	4,388	4,061
Restated Net Position December 31, 2017	<u>\$23,513,734</u>	<u>\$19,030,666</u>	<u>\$11,144,377</u>	<u>\$7,941,201</u>

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.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 3 – FUND BALANCE CLASSIFICATION

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

Fund Balances	General	Fire Levy	Capital Improvement	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Prepaid Items	\$123,103	\$4,355	\$0	\$20,340	\$147,798
Supplies Inventory	43,484	0	0	60,768	104,252
Total Nonspendable	<u>166,587</u>	<u>4,355</u>	<u>0</u>	<u>81,108</u>	<u>252,050</u>
Restricted:					
Transportation Projects	0	0	0	848,230	848,230
Park Maintenance	0	0	0	107,729	107,729
Law Enforcement	0	0	0	192,908	192,908
Fire Department	0	691,595	0	24,658	716,253
Total Restricted	<u>0</u>	<u>691,595</u>	<u>0</u>	<u>1,173,525</u>	<u>1,865,120</u>
Committed:					
Debt Service	0	0	0	320,809	320,809
Swimming Pool	0	0	0	103,964	103,964
Capital Improvements	0	0	1,228,164	0	1,228,164
Total Committed	<u>0</u>	<u>0</u>	<u>1,228,164</u>	<u>424,773</u>	<u>1,652,937</u>
Assigned:					
Goods and Services	85,989	0	0	0	85,989
Excess Appropriations FY 2019	458,526	0	0	0	458,526
Total Assigned	<u>544,515</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>544,515</u>
Unassigned					
Total Fund Balances	<u>\$4,810,723</u>	<u>\$695,950</u>	<u>\$1,228,164</u>	<u>\$1,679,406</u>	<u>\$8,414,243</u>

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 4 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position of governmental funds as reported in the government-wide statement of net position. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Other long-term assets not available to pay for current-period expenditures:

Delinquent Income Tax Revenue	\$81,128
Delinquent Property Tax Revenue	21,171
Shared Revenues	399,780
	<u>\$502,079</u>

Long-Term liabilities not reported in the funds:

General Obligation Bonds Payable	(\$1,185,000)
Installment Loans Payable	(477,907)
Capital Leases Payable	(392,831)
Accrued Interest on Long-Term Debt	(18,532)
Compensated Absences Payable	(924,099)
	<u>(\$2,998,369)</u>

Net pension and OPEB liabilities/deferred inflows/outflows:

Deferred Outflows - Pension	\$1,473,941
Deferred Outflows - OPEB	779,696
Net Pension Liability	(9,580,175)
Net OPEB Liability	(8,224,120)
Deferred Inflows - Pension	(1,013,269)
Deferred Inflows - OPEB	(370,514)
	<u>(\$16,934,441)</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 4 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government – wide statement of activities. The following is a detailed listing of those reconciling items that are net adjustments or a combination of several transactions:

Amount by which capital outlay exceeded depreciation in the current period:

Capital Outlay	\$4,891,082
Depreciation Expense	(1,031,883)
	<u>\$3,859,199</u>

Governmental revenues not reported in the funds:

Increase in Delinquent Income Tax Revenue	\$2,687
Increase in Delinquent Property Tax	7,557
Increase in Shared Revenue	87,259
	<u>\$97,503</u>

Contractually required contributions reported as deferred outflows:

Pension	\$772,958
OPEB	11,845
	<u>\$784,803</u>

Pension and OPEB expense:

Pension	(\$1,303,061)
OPEB	(613,786)
	<u>(\$1,916,847)</u>

Net amount of long-term debt issuance and bond and lease principal payments:

General Obligation Bond Principal	\$375,000
Installment Loan Payment	114,703
Capital Lease Payments	161,936
Capital Lease Issuance	(190,436)
	<u>\$461,203</u>

Expenses not requiring the use of current financial resources:

Decrease in Compensated Absences Payable	(\$39,783)
Increase in supplies inventory	2,786
	<u>(\$36,997)</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the City into three categories.

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use, but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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

- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Time certificates of deposit or savings or deposit accounts including, but not limited to passbook accounts;
- Bonds and other obligations of the State of Ohio or Ohio local governments;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute.

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

A. Deposits

At year end the carrying amount of the City's deposits was \$4,797,947 and the bank balance was \$4,882,421. Federal depository insurance covered \$300,616 of the bank balance and \$4,581,805 was uninsured and collateralized with securities held in the Ohio Pooled Collateral System.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

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

B. Investments

The City's investments at December 31, 2018 were as follows:

	Fair Value	Credit Rating	Fair Value Hierarchy	Concentration	Investment Maturities (in Years)	
				of Credit Risk	less than 1	1-3
FNMA	\$894,874	AA+	Level 2	9.52%	\$35,755	\$859,119
FHLB	546,280	AA+	Level 2	5.81%	129,486	416,794
FHLMC	2,073,998	AA+	Level 2	22.08%	74,268	1,999,730
FFCB	278,810	AA+	Level 2	2.97%	0	278,810
US Treasury Note	98,809	A-1	Level 2	1.05%	98,809	0
Commercial Paper	1,787,271	AA+	Level 2	19.02%	1,787,271	0
Negotiable C/D's	3,715,179	AAA ¹	Level 2	39.55%	2,229,055	1,486,124
Total Investments	<u>\$9,395,221</u>			<u>100.00%</u>	<u>\$4,354,644</u>	<u>\$5,040,577</u>

*- Credit rating from Standard & Poor's

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date. The City has no policy on interest rate risk and is governed by Ohio Revised Code as described under Deposits.

Investment Credit Risk – The City has no investment policy that limits its investment choices other than the limitation of State statute for “interim” funds described previously.

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

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 investment or collateral securities that are in the possession of an outside party. The City has no policy on custodial credit risk and is governed by Ohio Revised Code as described under Deposits.

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. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Level 2 inputs are significant other observable inputs. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

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

C. Cash With Fiscal Agent

The City has uninsured and uncollateralized cash in the amount of \$101,261 being held by the Licking County Engineer. This cash is restricted in its use for various road improvement projects.

D. Reconciliation of Cash, Cash Equivalents and Investments

The classification of cash, cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9. Certificates of deposit with an original maturity of three months or less are treated as cash equivalents. The classification of cash and cash equivalents (deposits) for purposes of this note are based on criteria set forth in GASB Statement No. 3.

A reconciliation between classifications of cash and investments on the financial statements and the classifications per items A and B of this note are as follows:

	<u>Cash and Cash Equivalents *</u>	<u>Investments</u>
Per GASB Statement No. 9	<u>\$4,797,947</u>	<u>\$9,395,221</u>
Per GASB Statement No. 3	<u>\$4,797,947</u>	<u>\$9,395,221</u>

* Does not include cash with fiscal agent.

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2018 were levied after October 1, 2017 on assessed values as of January 1, 2017, the lien date. Assessed values were established by the County Auditor at 35 percent of appraised market value. All property is required to be reappraised every six years and equalization adjustments made in the third year following reappraisal. The last reappraisal was completed in 2018. Real property taxes are payable annually or semi-annually. The first payment is due January 20, with the remainder payable by June 20.

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. Certain public utility tangible personal property is currently assessed at 88 percent of its true value. Public utility property taxes are payable on the same dates as the real property taxes described previously.

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

The full tax rate for all City operations for the year ended December 31, 2018 was \$6.40 per \$1,000 of assessed value. The assessed value upon which the 2018 levy was based was \$298,686,181. This amount constitutes \$280,687,581 in real property assessed value and \$17,998,600 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is .640% (6.40 mills) of assessed value.

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 General Fund, Fire Levy Fund, Fire Pension Fund and Police Pension Fund, the entire receivable has been offset by deferred inflows of resources since the current taxes were not levied to finance 2018 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is recorded as a deferred inflow of resources.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 6 - TAXES (Continued)

B. Income Tax

The City levies a tax of 1.5% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2018 consisted of taxes, accounts receivables and intergovernmental receivables arising from shared revenues.

NOTE 8 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2018:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General Fund	\$0	\$950,683
Other Governmental Funds	950,683	0
Totals	<u>\$950,683</u>	<u>\$950,683</u>

Transfers are used to move revenues from the funds that statute or budget requires to collect them to the funds that statute or budget requires to expend them; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to transfer capital assets. All transfers are considered allowable in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2018:

<i>Historical Cost:</i>	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
Class				
Non-Depreciable Capital Assets:				
Land	\$10,075,521	\$123,460	\$0	\$10,198,981
Construction in Progress	4,500	0	(4,500)	0
Subtotal	<u>10,080,021</u>	<u>123,460</u>	<u>(4,500)</u>	<u>10,198,981</u>
Depreciable Capital Assets:				
Buildings	6,515,070	139,968	0	6,655,038
Improvements other than Buildings	4,258,277	1,004,154	0	5,262,431
Machinery and Equipment	6,906,201	459,623	(58,533)	7,307,291
Infrastructure	30,059,779	3,168,377	(573,908)	32,654,248
Subtotal	<u>47,739,327</u>	<u>4,772,122</u>	<u>(632,441)</u>	<u>51,879,008</u>
Total Cost	<u>\$57,819,348</u>	<u>\$4,895,582</u>	<u>(\$636,941)</u>	<u>\$62,077,989</u>
Accumulated Depreciation:				
Class	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
Buildings	(\$3,539,439)	(\$129,345)	\$0	(\$3,668,784)
Improvements other than Buildings	(2,824,454)	(204,387)	0	(3,028,841)
Machinery and Equipment	(4,375,776)	(300,477)	58,533	(4,617,720)
Infrastructure	(11,243,096)	(397,674)	476,735	(11,164,035)
Total Depreciation	<u>(\$21,982,765)</u>	<u>(\$1,031,883) *</u>	<u>\$535,268</u>	<u>(\$22,479,380)</u>
Net Value:	<u>\$35,836,583</u>			<u>\$39,598,609</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$279,364
Leisure Time Activities	255,530
Community Environment	10,689
Transportation	475,858
General Government	10,442
Total Depreciation Expense	<u>\$1,031,883</u>

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 9 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by Category at December 31, 2018:

<i>Historical Cost:</i>	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
Class				
<i>Non-Depreciable Capital Assets:</i>				
Land	\$985,374	\$0	\$0	\$985,374
Construction in Progress	155,576	0	(155,576)	0
Subtotal	<u>1,140,950</u>	<u>0</u>	<u>(155,576)</u>	<u>985,374</u>
<i>Depreciable Capital Assets:</i>				
Buildings	17,018,225	0	0	17,018,225
Improvements Other Than Buildings	3,922,977	0	0	3,922,977
Machinery and Equipment	6,537,968	155,626	(72,771)	6,620,823
Infrastructure	19,339,367	195,758	0	19,535,125
Subtotal	<u>46,818,537</u>	<u>351,384</u>	<u>(72,771)</u>	<u>47,097,150</u>
Total Cost	<u>\$47,959,487</u>	<u>\$351,384</u>	<u>(\$228,347)</u>	<u>\$48,082,524</u>
<i>Accumulated Depreciation:</i>				
Class	Balance December 31, 2017	Additions	Deletions	Balance December 31, 2018
Buildings	(\$7,859,297)	(\$422,496)	\$0	(\$8,281,793)
Improvements Other Than Buildings	(1,686,143)	(120,515)	0	(1,806,658)
Machinery and Equipment	(4,985,242)	(175,772)	72,771	(5,088,243)
Infrastructure	(10,072,568)	(293,940)	0	(10,366,508)
Total Depreciation	<u>(\$24,603,250)</u>	<u>(\$1,012,723)</u>	<u>\$72,771</u>	<u>(\$25,543,202)</u>
<i>Net Value:</i>	<u>\$23,356,237</u>			<u>\$22,539,322</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$402,598 for 2018.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

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

Members 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.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>Police</u>	<u>Firefighters</u>
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2018 through December 31, 2018	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2018 through December 31, 2018	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$500,708 for 2018.

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

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$3,306,674	\$7,344,090	\$10,650,764
Proportion of the Net Pension Liability-2018	0.021078%	0.119660%	
Proportion of the Net Pension Liability-2017	<u>0.021617%</u>	<u>0.123476%</u>	
Percentage Change	<u>(0.000539%)</u>	<u>(0.003816%)</u>	
Pension Expense	\$649,075	\$839,803	\$1,488,878

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$395,171	\$320,019	\$715,190
Differences between expected and actual experience	3,376	111,453	114,829
City contributions subsequent to the measurement date	<u>402,598</u>	<u>500,708</u>	<u>903,306</u>
Total Deferred Outflows of Resources	<u>\$801,145</u>	<u>\$932,180</u>	<u>\$1,733,325</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$709,902	\$254,047	\$963,949
Differences between expected and actual experience	65,163	13,288	78,451
Change in proportionate share	<u>56,493</u>	<u>183,607</u>	<u>240,100</u>
Total Deferred Inflows of Resources	<u>\$831,558</u>	<u>\$450,942</u>	<u>\$1,282,500</u>

\$903,306 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2019	\$267,286	\$149,759	\$417,045
2020	(95,985)	82,965	(13,020)
2021	(312,602)	(180,166)	(492,768)
2022	(291,710)	(130,316)	(422,026)
2023	0	47,019	47,019
2024	<u>0</u>	<u>11,269</u>	<u>11,269</u>
Total	<u>(\$433,011)</u>	<u>(\$19,470)</u>	<u>(\$452,481)</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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

During 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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	\$5,871,812	\$3,306,674	\$1,168,123

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF’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 OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below:

Valuation Date	January 1, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Increases	3.25 percent
Inflation Assumptions	2.75 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent for increases based on the lesser of the increase in CPI and 3%.

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%. 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
Healthy Mortality			
	67 or less	77%	68%
	68-77	105%	87%
	78 and up	115%	120%
Disabled Mortality			
	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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

* levered 2x

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

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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 10 – 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 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$10,180,833	\$7,344,090	\$5,030,464

NOTE 11 - 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 resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments 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 is 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 *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 11 - 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.

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 11 - 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 \$0 for 2018.

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

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

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 11 - 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.

The City's contractually required contribution to OP&F was \$11,845 for 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of 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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$2,135,855	\$6,779,782	\$8,915,637
Proportion of the Net OPEB Liability-2018	0.019669%	0.119660%	
Proportion of the Net OPEB Liability-2017	<u>0.020233%</u>	<u>0.123476%</u>	
Percentage Change	<u>(0.000564%)</u>	<u>(0.003816%)</u>	
OPEB Expense	\$158,226	\$506,989	\$665,215

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 - 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			
Changes in assumptions	\$155,512	\$661,563	\$817,075
Differences between expected and actual experience	1,664	0	1,664
Change in proportionate share	0	0	0
City contributions subsequent to the measurement date	0	11,845	11,845
Total Deferred Outflows of Resources	<u>\$157,176</u>	<u>\$673,408</u>	<u>\$830,584</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$159,107	\$44,628	\$203,735
Differences between expected and actual experience	0	34,194	34,194
Change in proportionate share	38,588	158,004	196,592
Total Deferred Inflows of Resources	<u>\$197,695</u>	<u>\$236,826</u>	<u>\$434,521</u>

\$11,845 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 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2019	\$16,920	\$57,465	\$74,385
2020	16,920	57,465	74,385
2021	(34,582)	57,465	22,883
2022	(39,777)	57,461	17,684
2023	0	68,621	68,621
2024	0	68,621	68,621
2025	0	57,639	57,639
Total	<u>(\$40,519)</u>	<u>\$424,737</u>	<u>\$384,218</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions - OPERS

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

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

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

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. 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.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. 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.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

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

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$2,837,577	\$2,135,855	\$1,568,171

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$2,043,559	\$2,135,855	\$2,231,197

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.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 11 - DEFINED BENEFIT OPEB 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 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

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 11 - 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.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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	<u>120.00 %</u>	

Note: Assumptions are geometric.

* levered 2x

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$8,474,808	\$6,779,782	\$5,475,532

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

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

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	\$5,266,656	\$6,779,782	\$8,818,962

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, 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 NOL is not known.

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 12 – COMPENSATED ABSENCES

The City accrues a liability for accumulated unpaid sick, vacation, and compensatory time when earned by employees. Employees earn sick and vacation leave at varying rates based upon length of service. Upon retirement, an employee with ten or more years of service with the City will be compensated for their accumulated sick leave at a rate of 50% of the balance.

At December 31, 2018, the City's accumulated, unpaid compensated absences amounted to \$978,726. Of this amount, \$924,099 is recorded as Governmental Activities on the Entity Wide Statement of Net Position (\$64,735 is reported as due within one year), \$98,710 is recorded as Business-type activities (\$12,561 is reported as due within one year).

NOTE 13 - CAPITAL LEASES

The City is party to five leases accounted for as capital leases; 1) for a FlexNet Advanced Metering System (water meters) 2) for a Fire Truck 3) for a Tractor 4) for two trucks and 5) for another truck. The cost of the equipment obtained under the lease agreements (\$785,385) is included in the Governmental Activities capital assets as machinery and equipment and (\$460,000) is included in Business Type Activities as machinery and equipment. The liabilities for these leases are recorded on the Statement of Net Position as due within one year and due in more than one year. The following is a schedule of future minimum lease payments under the capital leases together with the present value of the net minimum lease payments as of December 31, 2018:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>
2019	\$172,986	\$100,107
2020	172,986	100,107
2021	77,455	0
Minimum Lease Payments	<u>423,427</u>	<u>200,214</u>
Less amount representing interest at the City's incremental borrowing rate of interest	(30,596)	(8,334)
Present value of minimum lease payments	<u><u>\$392,831</u></u>	<u><u>\$191,880</u></u>

NOTE 14 - ACCOUNTABILITY

The fund deficit of \$41,530 in the Internal Service Fund arose from the recognition of liabilities under the accrual basis of accounting. Transfers are provided when cash is required, not when accruals occur.

CITY OF HEATH, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 15 - NOTES PAYABLE

The City's short-term note activity for the year ended December 31, 2018 was as follows:

	Balance December 31, 2017	Issued	(Retired)	Balance December 31, 2018
Enterprise Fund:				
Water Fund:				
2.38% General Obligaion Note Payable	\$274,300	\$0	(\$274,300)	\$0
Total	<u>\$274,300</u>	<u>\$0</u>	<u>(\$274,300)</u>	<u>\$0</u>

The City's general obligation bond anticipation notes are backed by the full faith and credit of the City and have a maturity of one year.

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CITY OF HEATH, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 16 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2018 were as follows:

	Original Liability		Balance December 31, 2017	Additions	(Reductions)	Balance December 31, 2018	Amounts Due Within One Year	
Governmental Activities:								
General Obligation Bonds:								
2.00 - 3.63%	Swimming Pool Refunding	\$1,325,000	2022	\$635,000	\$0	(\$115,000)	\$520,000	\$125,000
2.00 - 3.00%	S.R. 79 Refunding	1,300,000	2023	790,000	0	(125,000)	665,000	125,000
1.20 - 3.50%	Fire Station Refunding	1,195,000	2018	135,000	0	(135,000)	0	0
	Total General Obligation Bonds			1,560,000	0	(375,000)	1,185,000	250,000
Installment Loans Payable:								
2.67%	Fire Equipment	440,000	2021	352,610	0	(84,703)	267,907	86,964
0.00%	Port Authority	300,000	2025	240,000	0	(30,000)	210,000	30,000
	Total Installment Loans Payable			592,610	0	(114,703)	477,907	116,964
Net Pension Liability:								
	Ohio Public Employees Retirement System			3,280,905	(1,044,820)	0	2,236,085	0
	Ohio Police and Fire Pension System			7,820,818	(476,728)	0	7,344,090	0
	Total General Net Pension Liability			11,101,723	(1,521,548)	0	9,580,175	0
Net OPEB Liability:								
	Ohio Public Employees Retirement System			1,381,968	62,370	0	1,444,338	0
	Ohio Police and Fire Pension System			5,861,107	918,675	0	6,779,782	0
	Total General Net OPEB Liability			7,243,075	981,045	0	8,224,120	0
	Capital Leases	642,053		364,331	190,436	(161,936)	392,831	156,480
	Compensated Absences			884,316	216,646	(176,863)	924,099	64,735
	Total Governmental Long-Term Debt			\$21,746,055	(\$133,421)	(\$828,502)	\$20,784,132	\$588,179
Business Type Activities:								
General Obligation Bond:								
1.20 - 3.50%	Water Refunding	\$2,100,000	2018	\$235,000	\$0	(\$235,000)	\$0	\$0
2.00 - 2.50%	Franklin Ave. Waterline	555,000	2022	290,000	0	(55,000)	235,000	55,000
1.25 - 3.00%	Water Plant Improvement	1,495,000	2022	775,000	0	(150,000)	625,000	150,000
2.88%	Water System Improvement	238,492	2023	238,492	0	(36,947)	201,545	38,025
4.01%	2018- Water System Improvement	313,700	2023	0	313,700	0	313,700	57,637
	Total General Obligation Bonds			1,538,492	313,700	(476,947)	1,375,245	300,662
Ohio Water Development Authority Loans:								
3.76%	Loan SRF-4011	2,757,604	2024	1,278,411	0	(162,868)	1,115,543	169,049
3.25%	Loan SRF-5657	4,110,016	2032	3,123,814	0	(179,427)	2,944,387	185,306
2.20%	Linville Road Water Tower	630,564	2038	1,327,313	0	(53,375)	1,273,938	54,567
	Total OWDA Loans			5,729,538	0	(395,670)	5,333,868	408,922
Ohio Public Works Commission Loans:								
0.00%	Sewer Replacement & Expansion	104,256	2038	72,973	0	(3,476)	69,497	3,476
0.00%	Water Main & Booster Station	293,690	2033	234,953	0	(14,684)	220,269	14,684
0.00%	Industrial Dual Water Feed		2038	110,203	127,039	0	237,242	11,862
	Total OPWC Loans			418,129	127,039	(18,160)	527,008	30,022
Net Pension Liability:								
	Ohio Public Employees Retirement System			1,627,978	(557,389)	0	1,070,589	0
Net OPEB Liability:								
	Ohio Public Employees Retirement System			661,656	29,861	0	691,517	0
	General Obligation Note Payable	313,700		313,700	0	(313,700)	0	0
	Capital Leases	460,000		283,814	0	(91,934)	191,880	94,582
	Compensated Absences			94,410	32,623	(28,323)	98,710	12,561
	Total Business Type Long-Term Debt			\$10,667,717	(\$54,166)	(\$1,324,734)	\$9,288,817	\$846,749

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2018**

NOTE 16 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Principal and interest requirements to retire long-term debt outstanding at December 31, 2018 were as follows:

Years	Governmental Activities				Business-Type Activities	
	General Obligation Bonds		Installment Loans Payable		Principal	Interest
	Principal	Interest	Principal	Interest		
2019	\$250,000	\$36,594	\$116,964	\$8,153		
2020	255,000	30,031	119,273	5,844		
2021	265,000	22,056	121,670	3,447		
2022	275,000	13,294	30,000	0		
2023	140,000	4,200	30,000	0		
2024-2025	0	0	60,000	0		
Totals	\$1,185,000	\$106,175	\$477,907	\$17,444		

Years	General Obligation Bonds		OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
	2019	\$300,662	\$43,098	\$408,922	\$162,550	\$30,022
2020	314,430	33,731	422,627	148,844	30,022	0
2021	323,007	24,004	436,803	134,669	30,022	0
2022	326,673	14,037	451,464	120,008	30,022	0
2023	110,473	3,938	466,628	104,844	30,022	0
2024-2028	0	0	1,684,547	335,134	150,110	0
2029-2033	0	0	1,148,589	102,663	150,110	0
2034-2038	0	0	314,288	15,900	76,678	0
Totals	\$1,375,245	\$118,808	\$5,333,868	\$1,124,612	\$527,008	\$0

A. Defeased Debt

In April 2011, the City refunded \$1,200,000 of General Obligation Bonds for Swimming Pool Improvements, through the issuance of \$1,325,000 of General Obligation Bonds. The net proceeds of the 2011 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$510,000 at December 31, 2018, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 16 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

A. Defeased Debt (Continued)

In April 2012, the City refunded \$1,295,000 of General Obligation Bonds for State Route 79 Improvements, through the issuance of \$1,300,000 of General Obligation Bonds. The net proceeds of the 2012 Bonds have been invested in obligations guaranteed as to both principal and interest by the United States Government and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$665,000 at December 31, 2018, are not included in the City's outstanding debt since the City has in-substance satisfied its obligations through the advance refunding.

B. OWDA Loans

The City has various outstanding Ohio Water Development Authority Loans ranging from 2.2% - 3.76% for various wastewater treatment plant improvements and a water tower. The City has pledged future sewer customer revenues, net of specified operating expenses, to repay the loans outstanding. The loans are payable solely from sewer customer net revenues and are payable through 2024, 2032 and 2038 for the three separate loans outstanding.

C. OPWC Loans

The City has pledged future water and sewer customer revenues, net of specified operating expenses, to repay \$527,008 borrowed from the Ohio Public Works Commission in 2008, 2013 and 2017. Proceeds from these loans provided for the improvement of sewer lines at the Heath-Newark-Licking County Port Authority, for Water Main & Booster Station Improvements and for an Industrial Dual Water Feed. These loans were issued interest free.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 17 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City carries commercial insurance policies to cover comprehensive liability, official and employee errors and omissions, and property and equipment. There has been no significant reduction in insurance coverages from the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three years.

Workers' Compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate per \$100 of payroll. The rate is determined based on accident history and administrative costs. The City of Heath is a member of the Ohio Municipal League (OML) Workers' Compensation Pool. The pool groups similar municipal employers to gain a greater discount in worker's compensation premiums for City employees. Section 4123.29 of the Ohio Revised Code, and the rules promulgated there under, permit the establishment of the employer group rating plan. Said plans pool and group the experience (payroll amounts and claims losses) of the participating employers in order to create a lower worker's compensation premium rate. The Ohio Municipal League (OML) as a sponsoring organization offers the plan to achieve lower workers' compensation premium rates for participants and to promote establishment of a safer working environment.

The City has a group health insurance program for employees and their eligible dependents. Premiums are paid into an internal service fund by all funds having compensated employees based on an analysis of historical claims experience, the desired fund balances and the number of active participating employees. The monies paid into the Self Insurance Fund (internal service fund) are available to pay claims and administrative costs. The plan is administered by a third party administrator, Medical Benefits Administrators, Inc., which monitors all claim payments. Excess loss coverage, provided by the American National/Bardon Insurance, becomes effective after \$45,000 per year per specific claim.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 17 - RISK MANAGEMENT (Continued)

The claims liability of \$122,812 reported in the fund at December 31, 2018 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Changes in the fund's claims liability amount in years 2017 and 2018 were:

<u>Year</u>	<u>Beginning of Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance at Year End</u>
2017	\$107,204	\$1,597,674	(\$1,404,126)	\$300,752
2017	300,752	1,406,819	(1,584,759)	122,812

NOTE 18 - CONTINGENCIES

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

NOTE 19 – OTHER COMMITMENTS

At December 31, 2018, the City's cash basis commitments for encumbrances were as follows:

<u>Fund</u>	<u>Year-End Commitment</u>
General Fund	\$94,619
Fire Levy Fund	16,829
Capital Improvement Fund	559,708
Other Governmental Funds	47,446
Water Fund	127,119
Sewer Fund	27,032
Total	<u><u>\$872,753</u></u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2018***

NOTE 20 – TAX ABATEMENT DISCLOSURES

As of December 31, 2018, the City of Heath provides tax incentives under the Community Reinvestment Area (CRA) program.

Real Estate Tax Abatements

Pursuant to Ohio Revised Code Chapter 3735.66, the City established a Community Reinvestment Area prior to 2007. Various portions of the community are covered by this CRA. The City authorizes incentives based upon each businesses investment criteria, and through a contractual application process with each business, including proof that the improvements have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient’s property tax bill. The establishment of the CRAs gave the City the ability to maintain and expand businesses located in the City and create new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate.

Below is the City portion of the real property taxes abated in 2018:

	Total Amount of Taxes Abated (Incentives Abated) For the Year 2017 (In Actual Dollars)
<u>Community Reinvestment Area (CRA)</u>	
All CRA Properties	\$59,094



REQUIRED SUPPLEMENTAL INFORMATION

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

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.022110%	0.022110%	0.020855%
City's proportionate share of the net pension liability (asset)	\$2,606,481	\$2,666,713	\$3,612,394
City's covered payroll	\$2,688,115	\$2,751,733	\$2,595,642
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	96.96%	96.91%	139.17%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

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

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
City's proportion of the net pension liability (asset)	0.126978%	0.126978%	0.125757%
City's proportionate share of the net pension liability (asset)	\$6,184,232	\$6,577,995	\$8,090,029
City's covered payroll	\$3,249,567	\$2,549,882	\$2,532,277
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	190.31%	257.97%	319.48%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%

Source: City Auditor's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2013 is not available.

CITY OF HEATH, OHIO

<u>2016</u>	<u>2017</u>
0.021617%	0.021078%
\$4,908,883	\$3,306,674
\$2,704,108	\$2,547,531
181.53%	129.80%
77.25%	84.66%

<u>2016</u>	<u>2017</u>
0.123476%	0.119660%
\$7,820,818	\$7,344,090
\$2,550,539	\$2,610,245
306.63%	281.36%
68.36%	70.91%

CITY OF HEATH, OHIO

***Schedule of City Pension Contributions
Last Six Years***

Ohio Public Employees Retirement System

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$349,455	\$330,208	\$311,477
Contributions in relation to the contractually required contribution	<u>349,455</u>	<u>330,208</u>	<u>311,477</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$2,688,115	\$2,751,733	\$2,595,642
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%

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

Ohio Police and Fire Pension Fund

Year	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$555,026	\$519,156	\$536,641
Contributions in relation to the contractually required contribution	<u>555,026</u>	<u>519,156</u>	<u>536,641</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$3,249,567	\$2,549,882	\$2,532,277
Contributions as a percentage of covered payroll	17.08%	20.36%	21.19%

Source: City Auditor's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2013 is not available.

CITY OF HEATH, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$324,493	\$331,179	\$402,598
<u>324,493</u>	<u>331,179</u>	<u>402,598</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,704,108	\$2,547,531	\$2,875,700
12.00%	13.00%	14.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$539,361	\$552,313	\$500,708
<u>539,361</u>	<u>552,313</u>	<u>500,708</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,550,539	\$2,610,245	\$2,369,088
21.15%	21.16%	21.14%



***Schedule of City's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability
Last Two Years***

Ohio Public Employees Retirement System

Year	<u>2016</u>	<u>2017</u>
City's proportion of the net OPEB liability (asset)	0.020233%	0.019669%
City's proportionate share of the net OPEB liability (asset)	\$2,043,624	\$2,135,855
City's covered payroll	\$2,704,108	\$2,547,531
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	75.57%	83.84%
Plan fiduciary net position as a percentage of the total OPEB liability	54.50%	54.14%

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

Ohio Police and Fire Pension Fund

Year	<u>2016</u>	<u>2017</u>
City's proportion of the net OPEB liability (asset)	0.123476%	0.119660%
City's proportionate share of the net OPEB liability (asset)	\$5,861,107	\$6,779,782
City's covered payroll	\$2,550,539	\$2,610,245
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	229.80%	259.74%
Plan fiduciary net position as a percentage of the total OPEB liability	15.96%	14.13%

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

Notes: The City implemented GASB Statement 75 in 2018.
Information prior to 2016 is not available.

CITY OF HEATH, OHIO

***Schedule of City's Other Postemployment Benefit (OPEB) Contributions
Last Six Years***

Ohio Public Employees Retirement System

Year	2013	2014	2015
Contractually required contribution	\$26,881	\$55,035	\$51,913
Contributions in relation to the contractually required contribution	26,881	55,035	51,913
Contribution deficiency (excess)	\$0	\$0	\$0
City's covered payroll	\$2,688,115	\$2,751,733	\$2,595,642
Contributions as a percentage of covered payroll	1.00%	2.00%	2.00%

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

Ohio Police and Fire Pension Fund

Year	2013	2014	2015
Contractually required contribution	\$110,835	\$12,749	\$12,661
Contributions in relation to the contractually required contribution	110,835	12,749	12,661
Contribution deficiency (excess)	\$0	\$0	\$0
City's covered payroll	\$3,249,567	\$2,549,882	\$2,532,277
Contributions as a percentage of covered payroll	3.41%	0.50%	0.50%

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

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2013 is not available.

CITY OF HEATH, OHIO

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$54,082	\$25,476	\$0
<u>54,082</u>	<u>25,476</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,704,108	\$2,547,531	\$2,875,700
2.00%	1.00%	0.00%

<u>2016</u>	<u>2017</u>	<u>2018</u>
\$12,753	\$13,051	\$11,845
<u>12,753</u>	<u>13,051</u>	<u>11,845</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$2,550,539	\$2,610,245	\$2,369,088
0.50%	0.50%	0.50%

***Notes to the Required Supplemental Information
For the Year Ended December 31, 2018***

NET PENSION LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2018.

Changes in assumptions:

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2018.

Changes in assumptions:

2014-2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date.

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%

***Notes to the Required Supplemental Information
For the Year Ended December 31, 2018***

NET OPEB LIABILITY

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: For 2018, there were no changes in benefit terms.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: For 2018, there were no changes in benefit terms.

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



*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

*THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE
THE MAJOR AND NONMAJOR GOVERNMENTAL FUNDS.*

Nonmajor Governmental Funds

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than amounts relating to expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Street Construction, Maintenance and Repair Fund

To account for state levied and controlled gasoline tax and motor vehicle license fees designated for local street construction, maintenance and repair.

State Highway Fund

To account for the portion of the state gasoline tax and motor vehicle license fees designated for construction, maintenance and repair of state highways within the City.

County \$5 Permissive License Tax Fund

To account for permissive license tax received from the County for a project approved by the county engineer, or transfers to finance the project until completion whereupon reimbursement will be received.

Swimming Pool Fund

To account for revenues and expenditures related to the operations of the Heath Municipal Pool.

Municipal Motor Vehicle License Tax Fund

To account for county-levied motor vehicle registration fees designated for street construction, maintenance and repair.

Fire Pension Fund

To account for taxes levied toward partial payment of the current and accrued liability for fire disability and pension.

Police Pension Fund

To account for taxes levied toward partial payment of the current and accrued liability for police disability and pension.

Law Enforcement Trust Fund

To account for funds received by the police department for contraband, per state statute.

Police Professional Training Fund

To account for the cost of continuing professional training programs for police personnel.

(Continued)

Special Revenue Funds

Enforcement and Education Fund

To account for financial resources used to educate the public regarding laws governing the operation of motor vehicles while under the influence of alcohol.

D.A.R.E. Fund

To account for revenues and expenditures relative to D.A.R.E. activities.

Conn Memorial Trust Fund

To account for money left to the City by the Conn family in trust for the operation and maintenance of the John C. Geller Park.

Debt Service Fund

The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment levies when the government is obligated in some manner for payment.

General Obligation Debt Service Fund

To account for resources that are used for payment of principal, interest and fiscal charges on general obligation debt.

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2018**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Assets:			
Cash and Cash Equivalents	\$ 1,302,081	\$ 279,837	\$ 1,581,918
Receivables:			
Taxes	181,440	45,231	226,671
Intergovernmental	320,673	0	320,673
Inventory of Supplies, at Cost	60,768	0	60,768
Prepaid Items	20,340	0	20,340
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	101,261	0	101,261
Total Assets	<u>\$ 1,986,563</u>	<u>\$ 325,068</u>	<u>\$ 2,311,631</u>
Liabilities:			
Accounts Payable	\$ 17,006	\$ 0	\$ 17,006
Accrued Wages and Benefits Payable	109,394	0	109,394
Intergovernmental Payable	2,290	0	2,290
Total Liabilities	<u>128,690</u>	<u>0</u>	<u>128,690</u>
Deferred Inflows and Resources:			
Unavailable Amounts	320,064	4,259	324,323
Property Tax Levy for Next Year	179,212	0	179,212
Total Deferred Inflows of Resources	<u>499,276</u>	<u>4,259</u>	<u>503,535</u>
Fund Balances:			
Nonspendable	81,108	0	81,108
Restricted	1,173,525	0	1,173,525
Committed	103,964	320,809	424,773
Total Fund Balances	<u>1,358,597</u>	<u>320,809</u>	<u>1,679,406</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,986,563</u>	<u>\$ 325,068</u>	<u>\$ 2,311,631</u>

CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2018**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Revenues:			
Taxes	\$ 159,770	\$ 456,497	\$ 616,267
Intergovernmental Revenues	699,383	0	699,383
Charges for Services	519,020	0	519,020
Investment Earnings	2,924	0	2,924
Fines and Forfeitures	51,558	0	51,558
All Other Revenue	35,219	0	35,219
Total Revenue	1,467,874	456,497	1,924,371
Expenditures:			
Current:			
Security of Persons and Property	556,342	0	556,342
Leisure Time Activities	451,709	0	451,709
Transportation	1,168,357	0	1,168,357
Debt Service:			
Principal Retirement	177,926	290,000	467,926
Interest and Fiscal Charges	23,924	25,925	49,849
Total Expenditures	2,378,258	315,925	2,694,183
Excess (Deficiency) of Revenues Over Expenditures	(910,384)	140,572	(769,812)
Other Financing Sources (Uses):			
Capital Lease Issued	147,102	0	147,102
Transfers In	950,683	0	950,683
Total Other Financing Sources (Uses)	1,097,785	0	1,097,785
Net Change in Fund Balance	187,401	140,572	327,973
Fund Balances at Beginning of Year	1,173,720	180,237	1,353,957
Change in Inventory Reserve	(2,524)	0	(2,524)
Fund Balances End of Year	\$ 1,358,597	\$ 320,809	\$ 1,679,406

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2018**

	Street Construction, Maintenance and Repair	State Highway	County \$5 Permissive License Tax	Swimming Pool
Assets:				
Cash and Cash Equivalents	\$ 472,537	\$ 257,371	\$ 0	\$ 104,879
Receivables:				
Taxes	0	0	0	0
Intergovernmental	217,329	17,621	0	0
Inventory of Supplies, at Cost	54,865	0	0	5,903
Prepaid Items	12,550	0	0	7,790
Restricted Assets:				
Cash and Cash Equivalents with Fiscal Agent	0	0	101,261	0
Total Assets	<u>\$ 757,281</u>	<u>\$ 274,992</u>	<u>\$ 101,261</u>	<u>\$ 118,572</u>
Liabilities:				
Accounts Payable	\$ 15,901	\$ 0	\$ 0	\$ 915
Accrued Wages and Benefits Payable	19,926	0	0	0
Intergovernmental Payable	0	0	0	0
Total Liabilities	<u>35,827</u>	<u>0</u>	<u>0</u>	<u>915</u>
Deferred Inflows of Resources:				
Unavailable Amounts	144,886	11,748	101,261	0
Property Tax Levy for Next Fiscal Year	0	0	0	0
Total Deferred Inflows of Resources	<u>144,886</u>	<u>11,748</u>	<u>101,261</u>	<u>0</u>
Fund Balances:				
Nonspendable	67,415	0	0	13,693
Restricted	509,153	263,244	0	0
Committed	0	0	0	103,964
Total Fund Balances	<u>576,568</u>	<u>263,244</u>	<u>0</u>	<u>117,657</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$ 757,281</u>	<u>\$ 274,992</u>	<u>\$ 101,261</u>	<u>\$ 118,572</u>

CITY OF HEATH, OHIO

Municipal Motor Vehicle License Tax	Fire Pension	Police Pension	Law Enforcement Trust	Police Professional Training	Enforcement and Education
\$ 50,051	\$ 75,127	\$ 53,488	\$ 160,770	\$ 7,332	\$ 12,432
0	90,720	90,720	0	0	0
77,345	4,189	4,189	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>\$ 127,396</u>	<u>\$ 170,036</u>	<u>\$ 148,397</u>	<u>\$ 160,770</u>	<u>\$ 7,332</u>	<u>\$ 12,432</u>
\$ 0	\$ 0	\$ 0	\$ 190	\$ 0	\$ 0
0	50,469	38,999	0	0	0
0	0	0	0	2,290	0
<u>0</u>	<u>50,469</u>	<u>38,999</u>	<u>190</u>	<u>2,290</u>	<u>0</u>
51,563	5,303	5,303	0	0	0
0	89,606	89,606	0	0	0
<u>51,563</u>	<u>94,909</u>	<u>94,909</u>	<u>0</u>	<u>0</u>	<u>0</u>
0	0	0	0	0	0
75,833	24,658	14,489	160,580	5,042	12,432
0	0	0	0	0	0
<u>75,833</u>	<u>24,658</u>	<u>14,489</u>	<u>160,580</u>	<u>5,042</u>	<u>12,432</u>
<u>\$ 127,396</u>	<u>\$ 170,036</u>	<u>\$ 148,397</u>	<u>\$ 160,770</u>	<u>\$ 7,332</u>	<u>\$ 12,432</u>

(Continued)

CITY OF HEATH, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2018**

	D.A.R.E.	Conn Memorial Trust	Total Nonmajor Special Revenue Funds
Assets:			
Cash and Cash Equivalents	\$ 365	\$ 107,729	\$ 1,302,081
Receivables:			
Taxes	0	0	181,440
Intergovernmental	0	0	320,673
Inventory of Supplies, at Cost	0	0	60,768
Prepaid Items	0	0	20,340
Restricted Assets:			
Cash and Cash Equivalents with Fiscal Agent	0	0	101,261
Total Assets	<u>\$ 365</u>	<u>\$ 107,729</u>	<u>\$ 1,986,563</u>
Liabilities:			
Accounts Payable	\$ 0	\$ 0	\$ 17,006
Accrued Wages and Benefits Payable	0	0	109,394
Intergovernmental Payable	0	0	2,290
Total Liabilities	<u>0</u>	<u>0</u>	<u>128,690</u>
Deferred Inflows of Resources:			
Unavailable Amounts	0	0	320,064
Property Tax Levy for Next Fiscal Year	0	0	179,212
Total Deferred Inflows of Resources	<u>0</u>	<u>0</u>	<u>499,276</u>
Fund Balances:			
Nonspendable	0	0	81,108
Restricted	365	107,729	1,173,525
Committed	0	0	103,964
Total Fund Balances	<u>365</u>	<u>107,729</u>	<u>1,358,597</u>
Total Liabilities and Deferred Inflows of Resources and Fund Balances	<u>\$ 365</u>	<u>\$ 107,729</u>	<u>\$ 1,986,563</u>



CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018**

	Street Construction, Maintenance and Repair	State Highway	Swimming Pool	Municipal Motor Vehicle License Tax
Revenues:				
Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Intergovernmental Revenues	487,426	28,380	0	166,823
Charges for Services	400	0	497,561	0
Investment Earnings	0	455	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenue	6,949	0	8,389	0
Total Revenue	<u>494,775</u>	<u>28,835</u>	<u>505,950</u>	<u>166,823</u>
Expenditures:				
Current:				
Security of Persons and Property	0	0	0	0
Leisure Time Activities	0	0	451,709	0
Transportation	1,003,062	12,195	0	153,100
Debt Service:				
Principal Retirement	62,926	0	115,000	0
Interest and Fiscal Charges	2,580	0	21,344	0
Total Expenditures	<u>1,068,568</u>	<u>12,195</u>	<u>588,053</u>	<u>153,100</u>
Excess (Deficiency) of Revenues Over Expenditures	(573,793)	16,640	(82,103)	13,723
Other Financing Sources (Uses):				
Capital Lease Initiated	147,102	0	0	0
Transfers In	388,083	0	178,058	0
Total Other Financing Sources (Uses)	<u>535,185</u>	<u>0</u>	<u>178,058</u>	<u>0</u>
Net Change in Fund Balance	(38,608)	16,640	95,955	13,723
Fund Balances at Beginning of Year	622,978	246,604	16,424	62,110
Change in Inventory Reserve	(7,802)	0	5,278	0
Fund Balances End of Year	<u>\$ 576,568</u>	<u>\$ 263,244</u>	<u>\$ 117,657</u>	<u>\$ 75,833</u>

CITY OF HEATH, OHIO

<u>Fire Pension</u>	<u>Police Pension</u>	<u>Law Enforcement Trust</u>	<u>Police Professional Training</u>	<u>Enforcement and Education</u>	<u>D.A.R.E.</u>
\$ 79,885	\$ 79,885	\$ 0	\$ 0	\$ 0	\$ 0
8,377	8,377	0	0	0	0
0	0	17,519	0	0	0
0	0	0	0	0	0
0	0	50,882	0	676	0
0	0	11,801	8,080	0	0
<u>88,262</u>	<u>88,262</u>	<u>80,202</u>	<u>8,080</u>	<u>676</u>	<u>0</u>
240,566	248,125	57,852	9,799	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>240,566</u>	<u>248,125</u>	<u>57,852</u>	<u>9,799</u>	<u>0</u>	<u>0</u>
(152,304)	(159,863)	22,350	(1,719)	676	0
0	0	0	0	0	0
<u>198,911</u>	<u>185,631</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>198,911</u>	<u>185,631</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
46,607	25,768	22,350	(1,719)	676	0
(21,949)	(11,279)	138,230	6,761	11,756	365
0	0	0	0	0	0
<u>\$ 24,658</u>	<u>\$ 14,489</u>	<u>\$ 160,580</u>	<u>\$ 5,042</u>	<u>\$ 12,432</u>	<u>\$ 365</u>

(Continued)

CITY OF HEATH, OHIO

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018**

	Conn Memorial Trust	Total Nonmajor Special Revenue Funds
Revenues:		
Taxes	\$ 0	\$ 159,770
Intergovernmental Revenues	0	699,383
Charges for Services	3,540	519,020
Investment Earnings	2,469	2,924
Fines and Forfeitures	0	51,558
All Other Revenue	0	35,219
Total Revenue	<u>6,009</u>	<u>1,467,874</u>
Expenditures:		
Current:		
Security of Persons and Property	0	556,342
Leisure Time Activities	0	451,709
Transportation	0	1,168,357
Debt Service:		
Principal Retirement	0	177,926
Interest and Fiscal Charges	0	23,924
Total Expenditures	<u>0</u>	<u>2,378,258</u>
Excess (Deficiency) of Revenues Over Expenditures	6,009	(910,384)
Other Financing Sources (Uses):		
Capital Lease Initiated	0	147,102
Transfers In	0	950,683
Total Other Financing Sources (Uses)	<u>0</u>	<u>1,097,785</u>
Net Change in Fund Balance	6,009	187,401
Fund Balances at Beginning of Year	101,720	1,173,720
Change in Inventory Reserve	0	(2,524)
Fund Balances End of Year	<u>\$ 107,729</u>	<u>\$ 1,358,597</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 7,204,250	\$ 7,118,509	\$ 7,929,032	\$ 810,523
Intergovernmental Revenues	274,700	274,700	284,154	9,454
Charges for Services	479,562	479,562	521,569	42,007
Licenses and Permits	68,200	68,200	115,362	47,162
Investment Earnings	125,000	125,000	203,901	78,901
Fines and Forfeitures	12,200	12,200	10,366	(1,834)
All Other Revenues	50,600	50,600	129,082	78,482
Total Revenues	<u>8,214,512</u>	<u>8,128,771</u>	<u>9,193,466</u>	<u>1,064,695</u>
Expenditures:				
Security of Persons and Property:				
Police:				
Personal Services	1,756,001	1,797,626	1,796,593	1,033
Materials and Supplies	98,614	116,654	85,719	30,935
Contractual Services	192,543	197,542	158,401	39,141
Capital Outlay	0	14,700	14,700	0
Total Police	<u>2,047,158</u>	<u>2,126,522</u>	<u>2,055,413</u>	<u>71,109</u>
Communications:				
Personal Services	675,846	684,113	627,856	56,257
Materials and Supplies	7,000	7,000	828	6,172
Contractual Services	43,400	43,400	29,900	13,500
Total Communications	<u>726,246</u>	<u>734,513</u>	<u>658,584</u>	<u>75,929</u>
Fire:				
Personal Services	1,657,667	1,673,929	1,557,151	116,778
Materials and Supplies	121,796	121,796	107,461	14,335
Contractual Services	236,044	236,044	217,798	18,246
Capital Outlay	3,500	3,500	1,310	2,190
Total Fire	<u>2,019,007</u>	<u>2,035,269</u>	<u>1,883,720</u>	<u>151,549</u>
Street Lighting:				
Contractual Services	<u>105,000</u>	<u>105,000</u>	<u>94,428</u>	<u>10,572</u>
Total Street Lighting	<u>105,000</u>	<u>105,000</u>	<u>94,428</u>	<u>10,572</u>
Total Security of Persons and Property	<u>4,897,411</u>	<u>5,001,304</u>	<u>4,692,145</u>	<u>309,159</u>

(Continued)

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2018***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Public Health and Welfare Services:				
Health Department:				
Contractual Services	58,000	58,000	57,369	631
Total Public Health and Welfare Services	<u>58,000</u>	<u>58,000</u>	<u>57,369</u>	<u>631</u>
Leisure Time Activities:				
Parks:				
Personal Services	338,903	344,808	336,171	8,637
Materials and Supplies	68,105	68,105	30,482	37,623
Contractual Services	321,564	321,564	197,869	123,695
Other Expenditures	500	500	190	310
Capital Outlay	20,000	20,000	895	19,105
Total Leisure Time Activities	<u>749,072</u>	<u>754,977</u>	<u>565,607</u>	<u>189,370</u>
Community Environment:				
Planning and Zoning:				
Personal Services	165,025	167,387	162,473	4,914
Materials and Supplies	5,216	5,216	1,590	3,626
Contractual Services	129,341	129,341	85,386	43,955
Other Expenditures	150	150	100	50
Total Community Environment	<u>299,732</u>	<u>302,094</u>	<u>249,549</u>	<u>52,545</u>
General Government:				
Mayor:				
Personal Services	116,810	116,810	115,135	1,675
Materials and Supplies	2,106	2,106	1,212	894
Contractual Services	25,310	25,310	22,182	3,128
Total Mayor	<u>144,226</u>	<u>144,226</u>	<u>138,529</u>	<u>5,697</u>
City Council:				
Personal Services	46,200	46,200	46,200	0
Materials and Supplies	323	323	281	42
Contractual Services	550	550	75	475
Capital Outlay	0	2,500	2,390	110
Total City Council	<u>47,073</u>	<u>49,573</u>	<u>48,946</u>	<u>627</u>
Law Director:				
Personal Services	71,209	71,209	71,209	0
Contractual Services	86,250	104,950	104,588	362
Total Law Director	<u>157,459</u>	<u>176,159</u>	<u>175,797</u>	<u>362</u>

(Continued)

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2018***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Clerk of Council:				
Personal Services	49,521	49,520	49,064	456
Materials and Supplies	476	476	408	68
Total Clerk of Council	<u>49,997</u>	<u>49,996</u>	<u>49,472</u>	<u>524</u>
Auditor:				
Personal Services	61,200	61,200	58,992	2,208
Materials and Supplies	2,004	2,004	1,100	904
Contractual Services	1,195	1,195	320	875
Total Auditor	<u>64,399</u>	<u>64,399</u>	<u>60,412</u>	<u>3,987</u>
General Administrative:				
Personal Services	360,200	369,648	362,874	6,774
Materials and Supplies	7,943	7,943	7,919	24
Contractual Services	172,915	182,915	145,079	37,836
Other Expenditures	6,517	6,517	2,380	4,137
Capital Outlay	0	91,160	91,160	0
Total General Administrative	<u>547,575</u>	<u>658,183</u>	<u>609,412</u>	<u>48,771</u>
Court Fees:				
Contractual Services	500	500	500	0
Total Court Fees	<u>500</u>	<u>500</u>	<u>500</u>	<u>0</u>
Civil Service:				
Materials and Supplies	128	128	100	28
Contractual Services	14,850	14,850	8,891	5,959
Total Civil Service	<u>14,978</u>	<u>14,978</u>	<u>8,991</u>	<u>5,987</u>
Safety/Service:				
Personal Services	39,774	39,964	36,287	3,677
Materials and Supplies	10,601	10,601	7,704	2,897
Contractual Services	81,080	81,478	80,855	623
Capital Outlay	2,535	2,535	2,531	4
Total Safety/Service	<u>133,990</u>	<u>134,578</u>	<u>127,377</u>	<u>7,201</u>

(Continued)

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – General Fund
For the Year Ended December 31, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Income Tax:				
Personal Services	301,525	306,249	303,630	2,619
Materials and Supplies	4,661	4,661	2,329	2,332
Contractual Services	41,755	41,755	29,523	12,232
Capital Outlay	8,000	10,500	2,500	8,000
Total Income Tax	<u>355,941</u>	<u>363,165</u>	<u>337,982</u>	<u>25,183</u>
Total General Government	<u>1,516,138</u>	<u>1,655,757</u>	<u>1,557,418</u>	<u>98,339</u>
Total Expenditures	<u>7,520,353</u>	<u>7,772,132</u>	<u>7,122,088</u>	<u>650,044</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	694,159	356,639	2,071,378	1,714,739
Other Financing Sources (Uses):				
Transfers Out	<u>(772,625)</u>	<u>(950,683)</u>	<u>(950,683)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(772,625)</u>	<u>(950,683)</u>	<u>(950,683)</u>	<u>0</u>
Net Change in Fund Balance	(78,466)	(594,044)	1,120,695	1,714,739
Fund Balance at Beginning of Year	2,948,549	2,948,549	2,948,549	0
Prior Year Encumbrances	131,721	131,721	131,721	0
Fund Balance at End of Year	<u>\$ 3,001,804</u>	<u>\$ 2,486,226</u>	<u>\$ 4,200,965</u>	<u>\$ 1,714,739</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Special Revenue Fund – Fire Levy Fund
For the Year Ended December 31, 2018**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 751,440	\$ 741,930	\$ 769,068	\$ 27,138
Intergovernmental Revenues	57,646	95,828	61,336	(34,492)
Investment Earnings	0	0	6,232	6,232
All Other Revenues	0	2,267	4,962	2,695
Total Revenues	<u>809,086</u>	<u>840,025</u>	<u>841,598</u>	<u>1,573</u>
Expenditures:				
Security of Persons and Property:				
Fire:				
Personal Services	329,469	332,776	284,594	48,182
Materials and Supplies	2,980	2,980	2,980	0
Contractual Services	25,850	26,676	22,069	4,607
Capital Outlay	196,291	221,291	218,294	2,997
Total Security of Persons and Property	<u>554,590</u>	<u>583,723</u>	<u>527,937</u>	<u>55,786</u>
Debt Service:				
Principal Retirement	171,764	171,764	171,750	14
Interest and Fiscal Charges	17,885	17,885	17,782	103
Total Expenditures	<u>744,239</u>	<u>773,372</u>	<u>717,469</u>	<u>55,903</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	64,847	66,653	124,129	57,476
Fund Balance at Beginning of Year	462,239	462,239	462,239	0
Prior Year Encumbrances	101,993	101,993	101,993	0
Fund Balance at End of Year	<u>\$ 629,079</u>	<u>\$ 630,885</u>	<u>\$ 688,361</u>	<u>\$ 57,476</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Funds – Capital Projects Fund – Capital Improvement Fund
For the Year Ended December 31, 2018**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 450,500	\$ 552,060	\$ 101,560
Intergovernmental Revenues	\$ 2,992,124	\$ 3,043,724	\$ 51,600
All Other Revenues	0	22,123	22,123
Total Revenues	3,442,624	3,617,907	175,283
Expenditures:			
Security of Persons and Property:			
Police:			
Capital Outlay	98,476	93,662	4,814
Total Security of Persons and Property	98,476	93,662	4,814
Leisure Time Activities:			
Parks:			
Capital Outlay	51,999	51,999	0
Total Parks	51,999	51,999	0
Swimming Pool:			
Contractual Services	25,000	21,803	3,197
Total Swimming Pool	25,000	21,803	3,197
Total Leisure Time Activities	76,999	73,802	3,197
Transportation:			
Streets Department:			
Contractual Services	30,646	30,646	0
Capital Outlay	3,562,235	3,562,235	0
Total Transportation	3,592,881	3,592,881	0
General Government:			
General Administrative:			
Capital Outlay	31,652	31,652	0
Total General Government	31,652	31,652	0
Total Expenditures	3,800,008	3,791,997	8,011
Excess (Deficiency) of Revenues Over (Under) Expenditures	(357,384)	(174,090)	183,294
Fund Balance at Beginning of Year	1,265,201	1,265,201	0
Prior Year Encumbrances	45,128	45,128	0
Fund Balance at End of Year	\$ 952,945	\$ 1,136,239	\$ 183,294



CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018***

STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND			
	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 469,721	\$ 472,760	\$ 3,039
Charges for Services	0	400	400
All Other Revenues	0	6,949	6,949
Total Revenues	<u>469,721</u>	<u>480,109</u>	<u>10,388</u>
Expenditures:			
Transportation:			
Street Department:			
Personal Services	522,578	508,573	14,005
Materials and Supplies	232,292	114,679	117,613
Contractual Services	348,202	277,406	70,796
Capital Outlay	87,599	26,857	60,742
Total Expenditures	<u>1,190,671</u>	<u>927,515</u>	<u>263,156</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(720,950)	(447,406)	273,544
Other Financing Sources (Uses):			
Transfers In	320,243	388,083	67,840
Total Other Financing Sources (Uses)	<u>320,243</u>	<u>388,083</u>	<u>67,840</u>
Net Change in Fund Balance	(400,707)	(59,323)	341,384
Fund Balance at Beginning of Year	471,792	471,792	0
Prior Year Encumbrances	40,530	40,530	0
Fund Balance at End of Year	<u>\$ 111,615</u>	<u>\$ 452,999</u>	<u>\$ 341,384</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018***

	STATE HIGHWAY FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues:			
Intergovernmental Revenues	\$ 25,886	\$ 28,371	\$ 2,485
Investment Earnings	175	455	280
Total Revenues	<u>26,061</u>	<u>28,826</u>	<u>2,765</u>
Expenditures:			
Transportation:			
Street Department:			
Materials and Supplies	46,500	0	46,500
Contractual Services	<u>15,500</u>	<u>12,733</u>	<u>2,767</u>
Total Expenditures	<u>62,000</u>	<u>12,733</u>	<u>49,267</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(35,939)	16,093	52,032
Fund Balance at Beginning of Year	<u>241,278</u>	<u>241,278</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 205,339</u>	<u>\$ 257,371</u>	<u>\$ 52,032</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018***

SWIMMING POOL FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 674,378	\$ 497,561	\$ (176,817)
All Other Revenues	8,500	8,389	(111)
Total Revenues	<u>682,878</u>	<u>505,950</u>	<u>(176,928)</u>
Expenditures:			
Leisure Time Activities:			
Swimming Pool:			
Personal Services	288,272	287,670	602
Materials and Supplies	82,514	80,264	2,250
Contractual Services	88,750	86,955	1,795
Capital Outlay	9,000	8,470	530
Total Leisure Time Activities	<u>468,536</u>	<u>463,359</u>	<u>5,177</u>
Debt Service:			
Principal Retirement	115,000	115,000	0
Interest and Fiscal Charges	21,344	21,344	0
Total Expenditures	<u>604,880</u>	<u>599,703</u>	<u>5,177</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	77,998	(93,753)	(171,751)
Other Financing Sources (Uses):			
Transfers In	0	178,058	178,058
Total Other Financing Sources (Uses)	<u>0</u>	<u>178,058</u>	<u>178,058</u>
Net Change in Fund Balance	77,998	84,305	6,307
Fund Balance at Beginning of Year	6,590	6,590	0
Prior Year Encumbrances	3,306	3,306	0
Fund Balance at End of Year	<u>\$ 87,894</u>	<u>\$ 94,201</u>	<u>\$ 6,307</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Intergovernmental Revenues	\$ 153,498	\$ 165,738	\$ 12,240
Total Revenues	<u>153,498</u>	<u>165,738</u>	<u>12,240</u>
Expenditures:			
Transportation:			
Street Department:			
Capital Outlay	153,660	153,100	560
Total Expenditures	<u>153,660</u>	<u>153,100</u>	<u>560</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(162)	12,638	12,800
Fund Balance at Beginning of Year	36,853	36,853	0
Prior Year Encumbrances	560	560	0
Fund Balance at End of Year	<u>\$ 37,251</u>	<u>\$ 50,051</u>	<u>\$ 12,800</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 79,904	\$ 79,885	\$ (19)
Intergovernmental Revenues	8,294	8,377	83
Total Revenues	<u>88,198</u>	<u>88,262</u>	<u>64</u>
Expenditures:			
Security of Persons and Property:			
Fire:			
Personal Services	282,482	238,357	44,125
Contractual Services	2,000	1,378	622
Total Expenditures	<u>284,482</u>	<u>239,735</u>	<u>44,747</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(196,284)	(151,473)	44,811
Other Financing Sources (Uses):			
Transfers In	198,911	198,911	0
Total Other Financing Sources (Uses)	<u>198,911</u>	<u>198,911</u>	<u>0</u>
Net Change in Fund Balance	2,627	47,438	44,811
Fund Balance at Beginning of Year	27,689	27,689	0
Fund Balance at End of Year	<u>\$ 30,316</u>	<u>\$ 75,127</u>	<u>\$ 44,811</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018**

	POLICE PENSION FUND		Variance with Final Budget Positive (Negative)
	Final Budget	Actual	
Revenues:			
Taxes	\$ 79,978	\$ 79,885	\$ (93)
Intergovernmental Revenues	8,200	8,377	177
Total Revenues	<u>88,178</u>	<u>88,262</u>	<u>84</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Personal Services	265,224	242,786	22,438
Contractual Services	2,000	1,378	622
Total Expenditures	<u>267,224</u>	<u>244,164</u>	<u>23,060</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(179,046)	(155,902)	23,144
Other Financing Sources (Uses):			
Transfers In	185,632	185,631	(1)
Total Other Financing Sources (Uses)	<u>185,632</u>	<u>185,631</u>	<u>(1)</u>
Net Change in Fund Balance	6,586	29,729	23,143
Fund Balance at Beginning of Year	23,759	23,759	0
Fund Balance at End of Year	<u>\$ 30,345</u>	<u>\$ 53,488</u>	<u>\$ 23,143</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
LAW ENFORCEMENT TRUST FUND			
Revenues:			
Charges for Services	\$ 16,724	\$ 17,519	\$ 795
Fines and Forfeitures	50,761	50,882	121
All Other Revenues	11,573	11,801	228
Total Revenues	<u>79,058</u>	<u>80,202</u>	<u>1,144</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	5,000	5,000	0
Contractual Services	69,555	25,900	43,655
Capital Outlay	33,500	33,500	0
Total Expenditures	<u>108,055</u>	<u>64,400</u>	<u>43,655</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,997)	15,802	44,799
Fund Balance at Beginning of Year	127,665	127,665	0
Prior Year Encumbrances	10,905	10,905	0
Fund Balance at End of Year	<u>\$ 109,573</u>	<u>\$ 154,372</u>	<u>\$ 44,799</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018**

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
All Other Revenues	\$ 0	\$ 8,080	\$ 8,080
Total Revenues	<u>0</u>	<u>8,080</u>	<u>8,080</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Contractual Services	14,841	14,841	0
Total Expenditures	<u>14,841</u>	<u>14,841</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(14,841)	(6,761)	8,080
Fund Balance at Beginning of Year	6,761	6,761	0
Fund Balance at End of Year	<u>\$ (8,080)</u>	<u>\$ 0</u>	<u>\$ 8,080</u>

CITY OF HEATH, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018**

ENFORCEMENT AND EDUCATION FUND

	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Fines and Forfeitures	<u>\$ 0</u>	<u>\$ 709</u>	<u>\$ 709</u>
Total Revenues	<u> 0</u>	<u> 709</u>	<u> 709</u>
Expenditures:			
Security of Persons and Property:			
Police:			
Materials and Supplies	<u> 3,500</u>	<u> 3,500</u>	<u> 0</u>
Total Expenditures	<u> 3,500</u>	<u> 3,500</u>	<u> 0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u> (3,500)</u>	<u> (2,791)</u>	<u> 709</u>
Fund Balance at Beginning of Year	<u> 11,723</u>	<u> 11,723</u>	<u> 0</u>
Fund Balance at End of Year	<u><u> \$ 8,223</u></u>	<u><u> \$ 8,932</u></u>	<u><u> \$ 709</u></u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018***

D.A.R.E. FUND			
	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues:			
Total Revenues	\$ 0	\$ 0	\$ 0
Expenditures:			
Total Expenditures	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	0
Fund Balance at Beginning of Year	365	365	0
Fund Balance at End of Year	<u>\$ 365</u>	<u>\$ 365</u>	<u>\$ 0</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Charges for Services	\$ 3,540	\$ 3,540	\$ 0
Investment Earnings	2,457	2,469	12
Total Revenues	<u>5,997</u>	<u>6,009</u>	<u>12</u>
Expenditures:			
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,997	6,009	12
Fund Balance at Beginning of Year	101,720	101,720	0
Fund Balance at End of Year	<u>\$ 107,717</u>	<u>\$ 107,729</u>	<u>\$ 12</u>

CITY OF HEATH, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Fund
For the Year Ended December 31, 2018***

	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:			
Taxes	\$ 349,532	\$ 443,960	\$ 94,428
Total Revenues	<u>349,532</u>	<u>443,960</u>	<u>94,428</u>
Expenditures:			
Debt Service:			
Principal Retirement	290,000	290,000	0
Interest and Fiscal Charges	<u>25,925</u>	<u>25,925</u>	<u>0</u>
Total Expenditures	<u>315,925</u>	<u>315,925</u>	<u>0</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	33,607	128,035	94,428
Fund Balance at Beginning of Year	<u>151,802</u>	<u>151,802</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 185,409</u>	<u>\$ 279,837</u>	<u>\$ 94,428</u>

STATISTICAL SECTION

STATISTICAL TABLES

This part of the City’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

Contents

Financial Trends	S 2 – S 13
These schedules contain trend information to help the reader understand how the City’s financial position has changed over time.	
Revenue Capacity	S 14 – S 17
These schedules contain information to help the reader understand and assess the factors affecting the City’s ability to generate its most significant local revenue source, the income tax.	
Debt Capacity	S 18 – S 25
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Economic and Demographic Information	S 26 – S 29
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City’s financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	
Operating Information	S 30 – S 37
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	

Sources Note:

Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

City of Heath, Ohio

*Net Position by Component
Last Ten Years
(accrual basis of accounting)*

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities:		*		
Net Investment in Capital Assets	\$24,757,330	\$26,920,239	\$29,909,342	\$31,800,652
Restricted	4,440,662	4,052,345	3,049,296	3,354,720
Unrestricted (Deficit)	3,344,138	2,584,668	3,096,541	2,886,273
Total Governmental Activities Net Position	<u>\$32,542,130</u>	<u>\$33,557,252</u>	<u>\$36,055,179</u>	<u>\$38,041,645</u>
Business-type Activities:				
Net Investment in Capital Assets	\$11,511,143	\$11,458,893	\$12,254,042	\$13,030,295
Unrestricted	3,955,176	5,016,822	4,716,959	5,429,089
Total Business-type Activities Net Position	<u>\$15,466,319</u>	<u>\$16,475,715</u>	<u>\$16,971,001</u>	<u>\$18,459,384</u>
Primary Government:				
Net Investment in Capital Assets	\$36,268,473	\$38,379,132	\$42,163,384	\$44,830,947
Restricted	4,440,662	4,052,345	3,049,296	3,354,720
Unrestricted (Deficit)	7,299,314	7,601,490	7,813,500	8,315,362
Total Primary Government Net Position	<u>\$48,008,449</u>	<u>\$50,032,967</u>	<u>\$53,026,180</u>	<u>\$56,501,029</u>

Source: City Auditor's Office

* 2014, 2017 Business-type Activities were restated

* 2010, 2014, 2017 Governmental Activities were restated

City of Heath, Ohio

2013	2014	2015	2016	2017	2018
	*			*	
\$32,791,239	\$32,879,970	\$32,583,035	\$32,767,862	\$33,319,642	\$37,542,871
3,130,915	3,667,955	3,096,603	3,397,635	1,847,160	2,177,417
3,258,587	(4,790,644)	(4,539,258)	(4,690,517)	(11,653,068)	(11,168,308)
<u>\$39,180,741</u>	<u>\$31,757,281</u>	<u>\$31,140,380</u>	<u>\$31,474,980</u>	<u>\$23,513,734</u>	<u>\$28,551,980</u>
	*			*	
\$13,374,041	\$14,265,581	\$14,247,988	\$14,895,733	\$14,798,264	\$15,111,321
5,326,656	4,028,883	4,802,704	4,628,954	4,232,402	4,615,269
<u>\$18,700,697</u>	<u>\$18,294,464</u>	<u>\$19,050,692</u>	<u>\$19,524,687</u>	<u>\$19,030,666</u>	<u>\$19,726,590</u>
\$46,165,280	\$47,145,551	\$46,831,023	\$47,663,595	\$48,117,906	\$52,654,192
3,130,915	3,667,955	3,096,603	3,397,635	1,847,160	2,177,417
8,585,243	(761,761)	263,446	(61,563)	(7,420,666)	(6,553,039)
<u>\$57,881,438</u>	<u>\$50,051,745</u>	<u>\$50,191,072</u>	<u>\$50,999,667</u>	<u>\$42,544,400</u>	<u>\$48,278,570</u>

City of Heath, Ohio

Changes in Net Position Last Ten Years (accrual basis of accounting)

	2009	2010	2011	2012
Expenses				
Governmental Activities:				
Security of Persons and Property	\$4,799,533	\$4,950,795	\$4,910,998	\$5,152,842
Public Health and Welfare Services	55,500	55,500	56,000	56,500
Leisure Time Activities	1,389,421	1,324,421	1,458,652	1,345,282
Community Environment	296,573	249,028	326,445	279,054
Basic Utility Services	0	399,949	252,530	0
Transportation	1,698,702	1,692,428	1,387,741	2,359,144
General Government	1,863,206	1,482,172	1,423,316	1,345,507
Interest and Fiscal Charges	213,056	158,538	238,230	86,813
<i>Total Governmental Activities Expenses</i>	<u>10,315,991</u>	<u>10,312,831</u>	<u>10,053,912</u>	<u>10,625,142</u>
Business-type Activities:				
Water	1,535,122	1,541,351	1,588,324	1,653,612
Sewer	2,145,932	1,928,841	2,094,078	1,910,598
<i>Total Business-type Activities Expenses</i>	<u>3,681,054</u>	<u>3,470,192</u>	<u>3,682,402</u>	<u>3,564,210</u>
<i>Total Primary Government Expenses</i>	<u>\$13,997,045</u>	<u>\$13,783,023</u>	<u>\$13,736,314</u>	<u>\$14,189,352</u>
Program Revenues				
Governmental Activities:				
Charges for Services and Sales				
Security of Persons and Property	\$2,017,435	\$471,415	\$431,382	\$496,150
Leisure Time Activities	527,712	558,966	520,995	511,839
Community Environment	24,464	35,658	20,355	34,921
Basic Utility Services	0	5,256	5,136	0
Transportation	80,750	4,383	8,981	17,804
General Government	12,075	15,220	11,890	12,422
Operating Grants and Contributions	677,664	641,344	667,962	618,558
Capital Grants and Contributions	2,825,769	1,596,123	3,306,967	3,563,796
<i>Total Governmental Activities Program Revenues</i>	<u>6,165,869</u>	<u>3,328,365</u>	<u>4,973,668</u>	<u>5,255,490</u>

City of Heath, Ohio

2013	2014	2015	2016	2017	2018
\$5,038,710	\$5,361,303	\$5,380,059	\$6,172,133	\$6,322,655	\$6,495,829
55,970	55,970	55,970	57,369	57,369	57,369
1,311,818	1,387,265	1,220,510	1,308,192	1,434,646	1,376,776
100,943	270,574	257,150	309,048	305,964	269,307
0	0	0	0	0	0
1,709,162	1,267,738	1,863,500	995,838	1,115,075	939,862
1,397,774	1,453,988	1,385,688	1,324,285	1,736,746	1,603,512
189,630	84,363	81,723	81,127	79,992	70,857
<u>9,804,007</u>	<u>9,881,201</u>	<u>10,244,600</u>	<u>10,247,992</u>	<u>11,052,447</u>	<u>10,813,512</u>
1,757,595	1,867,677	1,878,912	1,986,115	2,282,184	2,215,502
2,401,452	2,038,089	2,060,955	1,991,200	2,110,841	2,074,353
<u>4,159,047</u>	<u>3,905,766</u>	<u>3,939,867</u>	<u>3,977,315</u>	<u>4,393,025</u>	<u>4,289,855</u>
<u>\$13,963,054</u>	<u>\$13,786,967</u>	<u>\$14,184,467</u>	<u>\$14,225,307</u>	<u>\$15,445,472</u>	<u>\$15,103,367</u>
\$476,054	\$487,374	\$493,602	\$526,680	\$559,504	\$598,569
464,282	425,487	452,803	524,963	509,725	536,648
15,265	18,085	28,809	66,265	39,566	33,682
0	0	0	0	0	0
131,883	9,929	23,254	9,285	2,704	14,046
11,400	11,800	21,269	12,988	11,923	15,669
661,798	661,083	695,090	686,525	736,615	762,026
1,263,959	400,859	8,992	235,239	323,000	3,043,724
<u>3,024,641</u>	<u>2,014,617</u>	<u>1,723,819</u>	<u>2,061,945</u>	<u>2,183,037</u>	<u>5,004,364</u>

(continued)

City of Heath, Ohio

Changes in Net Position Last Ten Years (accrual basis of accounting)

	2009	2010	2011
Business-type Activities:			
Charges for Services and Sales			
Water	1,495,259	1,619,913	1,794,547
Sewer	2,212,708	2,281,012	2,111,192
Capital Grants and Contributions	0	563,705	252,530
<i>Total Business-type Activities Program Revenues</i>	<u>3,707,967</u>	<u>4,464,630</u>	<u>4,158,269</u>
<i>Total Primary Government Program Revenues</i>	<u>9,873,836</u>	<u>7,792,995</u>	<u>9,131,937</u>
Net (Expense)/Revenue			
Governmental Activities	(4,150,122)	(6,984,466)	(5,080,244)
Business-type Activities	26,913	994,438	475,867
<i>Total Primary Government Net (Expense)/Revenue</i>	<u>(\$4,123,209)</u>	<u>(\$5,990,028)</u>	<u>(\$4,604,377)</u>
General Revenues and Other Changes in Net Position			
Governmental Activities:			
Property Taxes	\$1,187,092	\$1,183,579	\$1,174,167
Municipal Income Taxes	4,970,988	4,888,977	5,278,585
Other Local Taxes	10,671	10,098	10,388
Intergovernmental Revenue, Unrestricted	835,972	947,666	814,944
Investment Earnings	173,836	160,386	82,186
Miscellaneous	87,516	73,618	217,901
Transfers	(23,647)	0	0
<i>Total Governmental Activities</i>	<u>7,242,428</u>	<u>7,264,324</u>	<u>7,578,171</u>
Business-type Activities:			
Investment Earnings	11,113	14,958	19,419
Transfers	23,647	0	0
<i>Total Business-type Activities</i>	<u>34,760</u>	<u>14,958</u>	<u>19,419</u>
<i>Total Primary Government</i>	<u>\$7,277,188</u>	<u>\$7,279,282</u>	<u>\$7,597,590</u>
Change in Net Position			
Governmental Activities	\$3,092,306	\$279,858	\$2,497,927
Business-type Activities	61,673	1,009,396	495,286
<i>Total Primary Government Change in Net Position</i>	<u>\$3,153,979</u>	<u>\$1,289,254</u>	<u>\$2,993,213</u>

Source: City Auditor's Office

City of Heath, Ohio

2012	2013	2014	2015	2016	2017	2018
1,989,091	1,999,935	2,245,921	2,488,561	2,292,134	2,335,663	2,560,275
2,022,158	1,959,494	1,947,153	2,193,124	2,148,903	2,203,296	2,412,812
1,018,846	439,066	8,962	0	0	0	0
<u>5,030,095</u>	<u>4,398,495</u>	<u>4,202,036</u>	<u>4,681,685</u>	<u>4,441,037</u>	<u>4,538,959</u>	<u>4,973,087</u>
<u>10,285,585</u>	<u>7,423,136</u>	<u>6,216,653</u>	<u>6,405,504</u>	<u>6,502,982</u>	<u>6,721,996</u>	<u>9,977,451</u>
(5,369,652)	(6,779,366)	(7,866,584)	(8,520,781)	(8,186,047)	(8,869,410)	(5,809,148)
1,465,885	239,448	296,270	741,818	463,722	145,934	683,232
<u><u>(\$3,903,767)</u></u>	<u><u>(\$6,539,918)</u></u>	<u><u>(\$7,570,314)</u></u>	<u><u>(\$7,778,963)</u></u>	<u><u>(\$7,722,325)</u></u>	<u><u>(\$8,723,476)</u></u>	<u><u>(\$5,125,916)</u></u>
\$1,160,354	\$1,122,287	\$1,183,320	\$1,173,389	\$1,429,374	\$1,455,838	\$1,549,423
5,411,079	5,952,155	5,716,808	6,023,648	6,438,248	6,012,098	8,553,511
9,793	8,823	5,647	1,684	22,162	10,386	0
566,595	680,850	595,813	447,701	410,657	411,529	452,055
126,018	16,848	65,477	137,416	140,161	96,091	163,323
82,279	137,499	106,763	120,042	80,045	135,219	129,082
0	0	0	0	0	0	0
<u>7,356,118</u>	<u>7,918,462</u>	<u>7,673,828</u>	<u>7,903,880</u>	<u>8,520,647</u>	<u>8,121,161</u>	<u>10,847,394</u>
22,498	1,865	8,142	14,410	10,273	13,252	12,692
0	0	0	0	0	0	0
<u>22,498</u>	<u>1,865</u>	<u>8,142</u>	<u>14,410</u>	<u>10,273</u>	<u>13,252</u>	<u>12,692</u>
<u><u>\$7,378,616</u></u>	<u><u>\$7,920,327</u></u>	<u><u>\$7,681,970</u></u>	<u><u>\$7,918,290</u></u>	<u><u>\$8,530,920</u></u>	<u><u>\$8,134,413</u></u>	<u><u>\$10,860,086</u></u>
\$1,986,466	\$1,139,096	(\$192,756)	(\$616,901)	\$334,600	(\$748,249)	\$5,038,246
1,488,383	241,313	304,412	756,228	473,995	159,186	695,924
<u><u>\$3,474,849</u></u>	<u><u>\$1,380,409</u></u>	<u><u>\$111,656</u></u>	<u><u>\$139,327</u></u>	<u><u>\$808,595</u></u>	<u><u>(\$589,063)</u></u>	<u><u>\$5,734,170</u></u>

City of Heath, Ohio

Fund Balances, Governmental Funds Last Ten Years (modified accrual basis of accounting)

	2009	2010	2011	2012
General Fund				
Nonspendable	\$0	\$0	\$108,830	\$79,556
Assigned	0	0	42,354	483,099
Unassigned	0	0	3,363,560	2,730,440
Reserved	1,366,672	1,223,828	0	0
Unreserved	2,408,783	2,533,280	0	0
Total General Fund	3,775,455	3,757,108	3,514,744	3,293,095
All Other Governmental Funds				
Nonspendable	0	0	87,846	89,134
Restricted	0	0	959,738	1,237,199
Committed	0	0	1,981,100	2,004,556
Unassigned	0	0	(129,613)	(134,960)
Reserved	412,014	323,587	0	0
Unreserved, Undesignated, Reported in:				
Special Revenue Funds	807,272	826,636	0	0
Capital Projects Funds	3,070,331	2,123,013	0	0
Permanent Fund	83,268 *	0	0	0
Total All Other Governmental Funds	4,372,885	3,273,236	2,899,071	3,195,929
Total Governmental Funds	\$8,148,340	\$7,030,344	\$6,413,815	\$6,489,024

Source: City Auditor's Office

* - The Conn Memorial Trust was reclassified from a Permanent Fund to a Special Revenue Fund in 2010

Note: The City implemented GASB 54 in 2011 which established new fund balance classifications for governmental funds.

City of Heath, Ohio

2013	2014	2015	2016	2017	2018
\$109,310	\$111,399	\$92,140	\$149,022	\$156,165	\$166,587
368,215	400,358	553,846	657,639	681,475	544,515
3,187,395	2,473,305	2,521,638	2,946,820	2,615,466	4,099,621
0	0	0	0	0	0
0	0	0	0	0	0
<u>3,664,920</u>	<u>2,985,062</u>	<u>3,167,624</u>	<u>3,753,481</u>	<u>3,453,106</u>	<u>4,810,723</u>
76,285	110,490	87,499	77,760	86,709	85,463
1,121,720	1,265,681	975,602	1,912,114	1,647,773	1,865,120
1,845,600	2,133,328	1,928,153	1,710,558	1,535,396	1,652,937
(13,677)	0	0	(10,230)	(33,228)	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
<u>3,029,928</u>	<u>3,509,499</u>	<u>2,991,254</u>	<u>3,690,202</u>	<u>3,236,650</u>	<u>3,603,520</u>
<u>\$6,694,848</u>	<u>\$6,494,561</u>	<u>\$6,158,878</u>	<u>\$7,443,683</u>	<u>\$6,689,756</u>	<u>\$8,414,243</u>

City of Heath, Ohio

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2009	2010	2011	2012
Revenues:				
Taxes	\$6,129,963	\$6,076,179	\$6,484,185	\$6,577,781
Intergovernmental Revenues	1,836,354	1,813,302	1,564,668	4,810,389
Charges for Services	872,267	921,061	896,001	951,566
Licenses and Permits	28,382	40,464	24,697	40,331
Investment Earnings	173,836	160,386	82,186	126,018
Fines and Forfeitures	1,660,638	91,921	39,504	43,048
All Other Revenue	188,665	111,070	256,438	120,470
Total Revenue	<u>10,890,105</u>	<u>9,214,383</u>	<u>9,347,679</u>	<u>12,669,603</u>
Expenditures:				
Current:				
Security of Persons and Property	4,564,283	4,832,359	4,949,955	5,006,695
Public Health and Welfare Services	55,500	55,500	56,000	56,500
Leisure Time Activities	1,218,719	1,388,567	1,291,498	1,158,961
Community Environment	296,209	248,970	322,269	274,696
Basic Utility Services	0	399,949	252,530	0
Transportation	1,301,307	1,505,871	1,382,405	4,341,346
General Government	1,784,830	1,440,850	1,360,970	1,334,738
Debt Service:				
Principal Retirement	283,344	299,111	322,047	344,037
Interest and Fiscal Charges	199,411	159,796	164,084	123,368
Total Expenditures	<u>9,703,603</u>	<u>10,330,973</u>	<u>10,101,758</u>	<u>12,640,341</u>
Excess (Deficiency) of Revenues Over Expenditures	1,186,502	(1,116,590)	(754,079)	29,262

City of Heath, Ohio

2013	2014	2015	2016	2017	2018
\$7,108,267	\$6,903,383	\$7,202,848	\$7,888,491	\$7,510,219	\$10,092,690
2,635,926	1,617,442	1,201,765	1,265,540	1,440,276	4,088,411
837,316	853,057	861,981	964,331	973,753	1,040,589
15,867	17,872	28,924	66,272	92,882	115,362
16,848	65,477	137,416	140,161	96,091	163,323
47,797	42,425	68,319	63,549	54,448	62,494
335,403	146,084	180,555	126,074	193,114	191,386
<u>10,997,424</u>	<u>9,645,740</u>	<u>9,681,808</u>	<u>10,514,418</u>	<u>10,360,783</u>	<u>15,754,255</u>
4,984,224	5,232,686	5,792,998	5,334,164	6,116,970	5,796,579
55,970	55,970	55,970	57,369	57,369	57,369
1,080,375	1,111,702	1,001,695	1,025,447	1,058,451	1,113,746
272,127	249,678	292,709	282,702	266,458	245,842
0	0	0	0	0	0
2,632,997	1,376,248	1,440,761	1,439,671	1,535,393	4,751,693
1,307,183	1,400,963	1,381,407	1,368,483	1,413,827	1,538,505
265,049	371,439	382,906	482,667	588,964	651,639
190,548	85,509	76,542	80,671	77,399	67,617
<u>10,788,473</u>	<u>9,884,195</u>	<u>10,424,988</u>	<u>10,071,174</u>	<u>11,114,831</u>	<u>14,222,990</u>
208,951	(238,455)	(743,180)	443,244	(754,048)	1,531,265

(Continued)

City of Heath, Ohio

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Other Financing Sources (Uses):				
Capital Leases Issued	0	0	61,655	49,319
Installment Loan Issued	0	0	0	0
Refunding Bonds Issued	1,195,000	0	1,325,000	1,300,000
Premium on Refunding Bonds Issued	11,337	0	7,861	40,480
Payment to Refunded Bond Escrow Agent	(1,178,173)	0	(1,283,255)	(1,301,248)
Transfers In	511,534	684,767	1,223,023	788,460
Transfers Out	(535,181)	(684,767)	(1,223,023)	(806,460)
Total Other Financing Sources (Uses)	<u>4,517</u>	<u>0</u>	<u>111,261</u>	<u>70,551</u>
Net Change in Fund Balance	<u>\$1,191,019</u>	<u>(\$1,116,590)</u>	<u>(\$642,818)</u>	<u>\$99,813</u>
 Debt Service as a Percentage of Noncapital Expenditures	 4.98%	 4.44%	 7.86%	 4.68%

Source: City Auditor's Office

City of Heath, Ohio

2013	2014	2015	2016	2017	2018
0	0	435,678	117,027	0	190,436
0	0	0	740,000	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
784,025	1,281,395	785,000	791,368	924,111	950,683
(784,025)	(1,281,395)	(785,000)	(791,368)	(924,111)	(950,683)
<u>0</u>	<u>0</u>	<u>435,678</u>	<u>857,027</u>	<u>0</u>	<u>190,436</u>
<u>\$208,951</u>	<u>(\$238,455)</u>	<u>(\$307,502)</u>	<u>\$1,300,271</u>	<u>(\$754,048)</u>	<u>\$1,721,701</u>

5.16%	5.04%	4.76%	6.30%	6.92%	7.71%
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City of Heath, Ohio

Income Tax Revenues by Source, Governmental Funds Last Ten Years

Tax year	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Income Tax Rate	1.50%	1.50%	1.50%	1.50%
Estimated Personal Income (in thousands)	\$305,863	\$357,458	\$386,532	\$410,854
Total Tax Collected	\$5,082,838	\$5,016,826	\$5,448,282	\$5,568,605
Income Tax Receipts				
Withholding	4,158,728	4,251,397	4,366,508	4,490,301
Percentage	81.82%	84.74%	80.15%	80.64%
Corporate	593,661	433,893	715,508	714,709
Percentage	11.68%	8.65%	13.13%	12.83%
Individuals	330,449	331,536	366,266	363,595
Percentage	6.50%	6.61%	6.72%	6.53%

Source: City Income Tax Department

City of Heath, Ohio

2013	2014	2015	2016	2017	2018
1.50%	1.50%	1.50%	1.50%	1.50%	2.00%
\$412,596	\$410,699	\$430,205	\$441,505	\$455,826	\$455,826
\$6,128,745	\$5,942,600	\$6,072,725	\$6,597,206	\$6,394,316	\$8,587,950
4,469,690	4,456,950	4,526,078	4,799,454	4,799,257	6,466,780
72.93%	75.00%	74.53%	72.75%	75.06%	75.30%
1,266,038	1,064,014	1,069,468	1,321,692	1,124,958	1,566,290
20.66%	17.90%	17.61%	20.03%	17.59%	18.24%
393,017	421,636	477,179	476,060	470,101	554,880
6.41%	7.10%	7.86%	7.22%	7.35%	6.46%



City of Heath, Ohio

Income Tax Statistics Current Year and Nine Years Ago

Calendar Year 2018

Income Tax Filers	Number of Filers	Percent of Total	Taxable Income	Percent of Income	Income Tax Collections	Percent of Income
Top Ten	10	0.20%	\$213,744,203	49.78%	\$4,274,884	49.78%
All Others	4,998	99.80%	215,653,300	50.22%	4,313,066	50.22%
Total	<u>5,008</u>	<u>100.00%</u>	<u>\$429,397,503</u>	<u>100.00%</u>	<u>\$8,587,950</u>	<u>100.00%</u>

Calendar Year 2009

Income Tax Filers	Number of Filers	Percent of Total	Taxable Income	Percent of Income	Income Tax Collections	Percent of Income
Top Ten	10	0.20%	\$143,538,000	42.36%	\$2,153,070	42.36%
All Others	5,088	99.80%	195,317,866	57.64%	2,929,768	57.64%
Total	<u>5,098</u>	<u>100.00%</u>	<u>\$338,855,866</u>	<u>100.00%</u>	<u>\$5,082,838</u>	<u>100.00%</u>

Source: City Income Tax Department

City of Heath, Ohio

Ratio of Outstanding Debt By Type Last Ten Years

	2009	2010	2011	2012
Governmental Activities ⁽¹⁾				
General Obligation Bonds Payable	\$4,015,000	\$3,735,000	\$3,555,000	\$3,225,000
Installment Loan Payable	0	0	0	0
Capital Leases	24,482	5,371	49,979	90,261
Business-type Activities ⁽¹⁾				
General Obligation Bonds Payable	1,915,000	1,720,000	1,520,000	1,870,000
Ohio Water Development Authority Loans	3,432,074	4,118,537	6,081,565	5,942,607
Ohio Public Works Commission Loan	100,780	97,304	93,828	90,352
General Obligation Notes Payable	0	0	0	0
Capital Leases	0	0	0	0
Total Primary Government	<u>\$9,487,336</u>	<u>\$9,676,212</u>	<u>\$11,300,372</u>	<u>\$11,218,220</u>
Population ⁽²⁾				
City of Heath	8,527	10,310	10,310	10,310
Outstanding Debt Per Capita	\$1,113	\$939	\$1,096	\$1,088
Income ⁽³⁾				
Personal (in thousands)	305,863	357,458	386,532	410,854
Percentage of Personal Income	3.10%	2.71%	2.92%	2.73%

Sources:

- (1) City Auditor's Office
- (2) US Bureau of Census, Population Division
- (3) US Department of Commerce, Bureau of Economic Analysis
 - (a) Per Capita Income is only available by County, Total Personal Income is a calculation

City of Heath, Ohio

2013	2014	2015	2016	2017	2018
\$2,985,000	\$2,640,000	\$2,285,000	\$1,925,000	\$1,560,000	\$1,185,000
0	0	0	710,000	592,610	477,907
65,212	38,773	446,545	470,905	364,331	392,831
2,970,000	2,570,000	2,160,000	1,735,000	1,538,492	1,375,245
5,650,424	5,360,803	5,052,270	5,363,436	5,729,538	5,333,868
380,566	353,326	335,166	326,086	418,129	527,008
0	0	0	0	588,000	0
0	0	460,000	373,175	283,814	191,880
<u>\$12,051,202</u>	<u>\$10,962,902</u>	<u>\$10,738,981</u>	<u>\$10,903,602</u>	<u>\$11,074,914</u>	<u>\$9,483,739</u>
10,310	10,310	10,310	10,310	10,310	10,310
\$1,169	\$1,063	\$1,042	\$1,058	\$1,074	\$920
412,596	410,699	430,205	441,505	455,826	455,826
2.92%	2.67%	2.50%	2.47%	2.43%	2.08%

City of Heath, Ohio

*Ratios of General Bonded Debt Outstanding
Last Ten Years*

Year	2009	2010	2011	2012
Population (1)	8,527	10,310	10,310	10,310
Assessed Value (2)	\$264,119,110	\$264,895,150	\$268,239,290	\$270,780,340
General Bonded Debt (3)				
General Obligation Bonds	\$5,930,000	\$5,455,000	\$5,075,000	\$5,095,000
Resources Available to Pay Principal (4)	\$165,163	\$134,952	\$134,241	\$151,211
Net General Bonded Debt	\$5,764,837	\$5,320,048	\$4,940,759	\$4,943,789
Ratio of Net Bonded Debt to Estimated Actual Value	2.18%	2.01%	1.84%	1.83%
Net Bonded Debt per Capita	\$676.07	\$516.01	\$479.22	\$479.51

Source:

(1) U.S. Bureau of Census of Population

(2) Licking County Auditor

(3) Includes all general obligation bonded debt supported by property taxes.

(4) Includes only Debt Service funds available for general obligation bonded debt supported by property taxes.

City of Heath, Ohio

2013	2014	2015	2016	2017	2018
10,310	10,310	10,310	10,310	10,310	10,310
\$272,878,060	\$271,209,375	\$261,546,140	\$266,502,766	\$291,423,474	\$298,686,181
\$5,955,000	\$5,210,000	\$4,445,000	\$3,660,000	\$3,098,492	\$2,560,245
\$63,473	\$89,396	\$128,189	\$159,655	\$180,237	\$320,809
\$5,891,527	\$5,120,604	\$4,316,811	\$3,500,345	\$2,918,255	\$2,239,436
2.16%	1.89%	1.65%	1.31%	1.00%	0.75%
\$571.44	\$496.66	\$418.70	\$339.51	\$283.05	\$217.21



City of Heath, Ohio

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2018*

<u>Jurisdiction</u>	<u>Gross Debt Outstanding</u>	<u>Percentage Applicable to the City of Heath (1)</u>	<u>Amount Applicable to the City of Heath</u>
Direct:			
City of Heath	\$2,055,738	100.00%	\$2,055,738
Overlapping:			
Heath City School District	10,757,688	6.70%	720,765
Licking County	19,207,035	98.20%	<u>18,861,308</u>
		Subtotal	<u>19,582,073</u>
		Total	<u><u>\$21,637,811</u></u>

Source: Licking County

(1) Percentages determined by dividing each overlapping subdivisions' assessed valuation within the City by the subdivisions' total assessed valuation.

City of Heath, Ohio

Debt Limitations Last Ten Years

Collection Year	2009	2010	2011	2012
Total Debt				
Net Assessed Valuation	\$264,119,110	\$264,895,150	\$268,239,290	\$270,780,340
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	27,732,507	27,813,991	28,165,125	28,431,936
City Debt Outstanding (2)	4,015,000	3,735,000	3,555,000	3,225,000
Less: Applicable Debt Service Fund Amounts	<u>(165,163)</u>	<u>(134,952)</u>	<u>(134,241)</u>	<u>(151,211)</u>
Net Indebtedness Subject to Limitation	<u>3,849,837</u>	<u>3,600,048</u>	<u>3,420,759</u>	<u>3,073,789</u>
Overall Legal Debt Margin	<u>\$23,882,670</u>	<u>\$24,213,943</u>	<u>\$24,744,366</u>	<u>\$25,358,147</u>
Unvoted Debt				
Net Assessed Valuation	\$264,119,110	\$264,895,150	\$268,239,290	\$270,780,340
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	14,526,551	14,569,233	14,753,161	14,892,919
City Debt Outstanding (2)	4,015,000	3,735,000	3,555,000	3,225,000
Less: Applicable Debt Service Fund Amounts	<u>(165,163)</u>	<u>(134,952)</u>	<u>(134,241)</u>	<u>(151,211)</u>
Net Indebtedness Subject to Limitation	<u>3,849,837</u>	<u>3,600,048</u>	<u>3,420,759</u>	<u>3,073,789</u>
Overall Legal Debt Margin	<u>\$10,676,714</u>	<u>\$10,969,185</u>	<u>\$11,332,402</u>	<u>\$11,819,130</u>

(1) Direct Debt Limitation based upon Section 133, The Uniform Bond Act of the Ohio Revised Code.

(2) City Debt Outstanding includes Non Self-Supporting General Obligation Bonds and Notes only.
Enterprise Debt is not considered in the computation of the Legal Debt Margin.

Source: City Auditor's Office

City of Heath, Ohio

2013	2014	2015	2016	2017	2018
\$272,878,060	\$271,209,375	\$261,546,140	\$266,502,766	\$291,423,474	\$298,686,181
10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
28,652,196	28,476,984	27,462,345	27,982,790	30,599,465	31,362,049
2,985,000	2,640,000	2,285,000	1,925,000	1,560,000	1,185,000
(63,473)	(89,396)	(128,189)	(159,655)	(180,237)	(320,809)
<u>2,921,527</u>	<u>2,550,604</u>	<u>2,156,811</u>	<u>1,765,345</u>	<u>1,379,763</u>	<u>864,191</u>
<u>\$25,730,669</u>	<u>\$25,926,380</u>	<u>\$25,305,534</u>	<u>\$26,217,445</u>	<u>\$29,219,702</u>	<u>\$30,497,858</u>
\$272,878,060	\$271,209,375	\$261,546,140	\$266,502,766	\$291,423,474	\$298,686,181
5.50%	5.50%	5.50%	5.50%	5.50%	5.50%
15,008,293	14,916,516	14,385,038	14,657,652	16,028,291	16,427,740
2,985,000	2,640,000	2,285,000	1,925,000	1,560,000	1,185,000
(63,473)	(89,396)	(128,189)	(159,655)	(180,237)	(320,809)
<u>2,921,527</u>	<u>2,550,604</u>	<u>2,156,811</u>	<u>1,765,345</u>	<u>1,379,763</u>	<u>864,191</u>
<u>\$12,086,766</u>	<u>\$12,365,912</u>	<u>\$12,228,227</u>	<u>\$12,892,307</u>	<u>\$14,648,528</u>	<u>\$15,563,549</u>

City of Heath, Ohio

Demographic and Economic Statistics Last Ten Years

Calendar Year	2009	2010	2011	2012	2013
Population ⁽¹⁾					
City of Heath	8,527	10,310	10,310	10,310	10,310
Licking County	145,491	166,492	166,492	166,492	166,492
Income ^{(2) (a)}					
Total Personal (in thousands)	305,863	357,458	386,532	410,854	412,596
Per Capita	35,870	34,671	37,491	39,850	40,019
Unemployment Rate ⁽³⁾					
Federal	9.3%	9.6%	8.9%	8.1%	7.4%
State	10.2%	10.1%	8.6%	7.2%	7.4%
Licking County	9.3%	9.5%	8.0%	6.5%	6.9%
Civilian Work Force Estimates ⁽³⁾					
State	5,900,500	5,894,000	5,806,500	5,747,900	5,765,700
Licking County	84,100	83,500	84,400	84,800	85,800

Sources:

(1) US Bureau of Census of Population

(2) US Department of Commerce, Bureau of Economic Analysis information is only available through 2017 for the presentation of 2018 statistics, the City is using the latest information available.

(a) Per Capita Income is only available by County, Total Personal Income is a calculation

(3) State Department of Labor Statistics

City of Heath, Ohio

2014	2015	2016	2017	2018
10,310	10,310	10,310	10,310	10,310
166,492	166,492	166,492	166,492	166,492
410,699	430,205	441,505	455,826	455,826
39,835	41,727	42,823	44,212	44,212
6.2%	4.4%	4.9%	4.4%	3.9%
5.7%	4.9%	4.9%	5.0%	4.6%
5.1%	5.3%	4.3%	4.2%	4.0%
5,719,500	5,700,300	5,713,100	5,780,000	5,754,900
87,200	83,600	87,900	89,800	89,000



City of Heath, Ohio

Principal Employers Current Year and Nine Years Ago

Employer	Nature of Business	2018	
		Number of Employees	Rank
Central Ohio Aerospace & Technology Center	Manufacturing	873	1
Super Wal-Mart Stores	Retail Sales	439	2
Heath City Schools	Education	307	3
Krogers	Retail / Grocery	296	4
JLH Automotive	Retail / Grocery	281	5
Lowe's Home Center	Retail / Grocery	256	6
Englefield Oil	Petroleum Products	252	7
Kaiser Aluminum & Chemical Co	Manufacturing	246	8
Heath Nursing Home	Health Care	201	9
Mathews Ford	Retail Sales	158	10
Total		<u>3,309</u>	

Employer	Nature of Business	2009	
		Number of Employees	Rank
Central Ohio Aerospace & Technology Center	Manufacturing	995	1
Arvin/Meritor	Manufacturing	416	2
Super Wal-Mart Stores	Retail Sales	402	3
Heath City Schools	Education	300	4
Kaiser Aluminum & Chemical Co.	Manufacturing	263	5
Heath Nursing Home	Health Care	258	6
Sears	Retail Sales	158	7
Lowes Home Center	Retail Sales	157	8
JHL Automotive	Retail Sales	157	9
Englefield Oil	Petroleum Products	154	10
Total		<u>3,260</u>	

Sources:

City of Heath Income Tax Department

Note: Total employees within the City limits is not available.

City of Heath, Ohio

Full Time Equivalent Employees by Function Last Ten Years

	2009	2010	2011	2012	2013
Governmental Activities					
General Government					
Mayor	1.00	1.00	1.00	1.00	1.00
Auditor	1.00	1.00	1.00	1.00	1.50
Council	7.00	7.00	7.00	7.00	7.00
Clerk of Council	1.00	1.00	1.00	1.00	1.00
Legal	2.00	2.00	2.00	2.00	1.00
Administration	3.25	3.25	3.25	3.25	3.25
Income Tax	4.00	4.00	4.00	4.00	4.00
Service	0.50	0.50	0.50	0.50	0.50
Security of Persons and Property					
Police	18.00	18.50	19.50	18.50	18.00
Fire	16.00	16.00	16.00	16.00	16.00
Communications	7.50	6.00	6.00	7.00	8.00
Transportation					
Street	8.50	7.50	7.50	7.50	7.50
Leisure Time Activities					
Recreation / Parks	6.25	5.25	4.75	4.75	3.75
Water Park	37.00	38.00	40.50	40.50	33.50
Community Environment					
Zoning	2.00	2.00	2.00	2.00	2.00
Business-Type Activities					
Utilities					
Water	9.50	9.50	9.00	9.00	10.00
Sewer	9.00	9.00	8.75	7.75	7.75
<i>Total Employees</i>	<u>133.50</u>	<u>131.50</u>	<u>133.75</u>	<u>132.75</u>	<u>125.75</u>

Method: 1.00 for each full-time, 0.50 for each part-time and 0.25 for each seasonal employee

Source: City Auditor's Office

City of Heath, Ohio

2014	2015	2016	2017	2018
1.00	1.00	1.00	1.00	1.00
1.50	1.50	1.00	1.00	1.00
7.00	7.00	7.00	7.00	7.00
1.00	1.00	1.00	1.00	1.00
1.00	1.00	1.00	1.00	1.00
3.25	3.25	3.25	3.25	3.25
4.00	4.00	4.00	4.00	4.00
5.00	0.50	0.50	0.50	0.50
18.00	18.00	18.00	17.00	19.00
16.00	16.00	16.00	16.00	16.00
8.00	8.00	7.00	8.00	8.00
6.00	6.00	6.00	6.00	6.50
4.75	4.75	4.75	4.75	4.25
38.00	38.00	35.75	36.00	38.00
2.00	2.00	2.00	2.00	2.00
10.00	9.25	10.00	10.75	10.75
8.75	8.25	8.75	8.75	8.75
135.25	129.50	127.00	128.00	132.00

City of Heath, Ohio

Operating Indicators by Function Last Ten Years

	2009	2010	2011	2012
Governmental Activities				
General Government				
Council				
Members	7	7	7	7
Number of Ordinances passed	112	81	100	83
Number of Resolutions passed	6	8	10	10
Security of Persons and Property				
Police				
Number of Traffic Citations Issued	1,286	1,312	1,054	813
Number of Arrests	470	471	548	547
Fire				
Number of Calls	2,122	2,038	2,052	2,303
Number of Inspections	432	415	392	395
Transportation				
Street				
Number of Streets Resurfaced	11	7	1	0
Leisure Time Activities				
Recreation / Parks				
Number of Pool/Water Park Memberships Sold	950	930	994	952
Community Environment				
Number of Building Permits	80	74	81	53
Number of Building Inspections	66	48	31	41
Number of Board of Building and Zoning Appeal Cases	11	11	17	9
Business-Type Activities				
Water				
Number of Service Connections	3,750	4,285	3,764	3,800
Daily Average Consumption (thousands of gallons)	1,300	1,200	1,200	1,200
Maximun Daily Capacity (thousands of gallons)	4,000	4,000	4,000	4,000
Sewer				
Daily Average Sewage Treatment (thousands of gallons)	1,600	1,300	1,472	1,273

Source: City Auditor's Office

City of Heath, Ohio

2013	2014	2015	2016	2017	2018
7	7	7	7	7	7
100	92	91	61	95	66
7	7	4	5	6	7
697	662	1,143	1,189	1,017	883
613	658	603	780	746	670
2,393	2,420	2,506	2,752	2,782	2,857
390	400	272	78	177	106
15	2	8	1	7	4
846	757	721	763	794	716
43	60	82	73	67	139
40	45	82	51	67	107
8	11	12	12	17	13
3,700	3,824	3,825	3,825	4,485	4,490
1,200	1,150	1,200	1,200	1,200	1,250
4,000	4,000	4,000	4,000	4,000	4,000
1,300	1,390	1,290	1,290	1,230	1,250

City of Heath, Ohio

Capital Asset Statistics by Function Last Ten Years

	2009	2010	2011	2012
Governmental Activities				
General Government				
Public Land and Buildings				
Land (acres)	138	138	138	138
Buildings	23	23	23	23
Security of Persons and Property				
Police				
Stations	1	1	1	1
Patrol Vehicles	7	7	7	7
Fire				
Stations	2	2	2	2
Vehicles	12	11	9	10
Transportation				
Street				
Streets (lane miles)	91	91	91	94
Street Lights	708	709	709	709
Traffic Signals (Intersections)	18	19	19	19
Vehicles	14	14	14	14
Leisure Time Activities				
Recreation / Parks				
Land (acres)	376	376	376	376
Buildings	3	3	3	4
Parks	11	11	11	11
Playgrounds	4	4	4	4
Swimming Pools	1	1	1	1
Baseball/Softball Diamonds	8	8	8	8
Sand Volleyball Courts	2	2	2	2

City of Heath, Ohio

2013	2014	2015	2016	2017	2018
140	140	140	140	204	458
23	23	23	23	24	23
1	1	1	1	1	1
8	9	9	9	8	9
2	2	2	2	2	2
10	10	10	10	11	11
94	94	95	95	95	95
709	709	709	709	709	709
19	19	19	19	19	19
14	14	14	14	15	15
376	376	376	376	376	376
4	4	4	4	4	4
11	11	11	11	11	11
4	4	4	4	4	4
1	1	1	1	1	1
8	8	8	8	8	8
2	2	2	2	2	2

(Continued)

City of Heath, Ohio

Capital Asset Statistics by Function Last Ten Years

	2009	2010	2011	2012
Business-Type Activities				
Utilities				
Water				
Waterlines (Miles)	81	86	86	86
Pump Stations	5	3	3	4
Number of Hydrants	767	770	770	770
Average Daily Consumption	1,300,000	1,200,000	1,200,000	1,200,000
Storage Capacity (thousands of gallons)	2,165	1,285	2,380	2,383
Sewer				
Sewerlines (Miles)	113	115	116	116
Lift Stations	20	21	21	21
Storm Drains (Miles)	60	60	60	60
Treatment Capacity (thousands of gallons)	1,750	1,750	1,750	1,750

Source: City Auditor's Office

City of Heath, Ohio

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
89	89	89	90	90	90
5	5	5	5	5	5
780	780	788	793	794	800
1,200,000	1,150,000	1,200,000	1,200,000	1,200,000	1,200,000
2,383	2,383	2,383	2,600	2,600	2,600
117	117	117	118	118	118
19	19	18	18	18	18
43	43	43	49	49	49
1,750	1,750	2,240	2,777	2,250	2,250



OHIO AUDITOR OF STATE
KEITH FABER



CITY OF HEATH

LICKING 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
SEPTEMBER 10, 2019**