



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF HUBBARD
TRUMBULL COUNTY
DECEMBER 31, 2018**

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**CITY OF HUBBARD
TRUMBULL COUNTY
DECEMBER 31, 2018**

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INDEPENDENT AUDITOR'S REPORT

City of Hubbard
Trumbull County
PO Box 307
220 West Liberty St.
Hubbard, Ohio 44425-0307

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hubbard, Trumbull County, Ohio (the City), 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 audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

Opinion

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

Emphasis of Matter

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

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2019, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State

Columbus, Ohio

August 30, 2019

CITY OF HUBBARD, OHIO

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

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- The total net position of the City increased \$998,716 from 2017's restated net position. Net position of governmental activities increased \$406,074 or 28.23% and net position of business-type activities increased \$592,642 or 3.32%.
- General revenues accounted for \$3,392,173 or 84.10% of total governmental activities revenue while program specific revenues accounted for \$641,353 or 15.90%.
- The City had \$3,627,452 in expenses related to governmental activities; \$641,353 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,986,099 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$3,392,173.
- The City's major governmental funds are the general fund and the street construction and maintenance fund. The general fund had revenues and other financing sources of \$2,974,644 in 2018 and expenditures and other financing uses of \$2,721,869. The net increase in fund balance for the general fund was \$252,775 or 18.85%.
- The street construction and maintenance fund had revenues and other financing sources of \$692,814 in 2018 and expenditures of \$716,379. The net decrease in fund balance for the street construction and maintenance fund was \$23,565 or 5.58%.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City perform financially during 2018?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting reflects all of the current year's revenues and expenses regardless of when cash is received or paid.

CITY OF HUBBARD, OHIO

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

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

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, street maintenance, cemetery, capital improvements, and general administration. These services are funded primarily by property taxes, income taxes, and intergovernmental revenues including federal and State grants and other shared revenues.

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

The City's statement of net position and statement of activities can be found on pages 17-19 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 12.

Governmental Funds

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

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

The City maintains several individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and street construction and maintenance fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-25 of this report.

CITY OF HUBBARD, OHIO

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

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric, guarantee trust and stormwater operations. The sewer, water, and electric enterprise funds are considered major funds.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 27-33 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency and private-purpose trust funds are the City's fiduciary fund types. The basic fiduciary fund financial statements can be found on pages 34-35 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 37-87 of this report.

Required Supplementary Information (RSI)

The RSI contains information regarding the City's proportionate share of the Ohio Public Employees Retirement System's (OPERS) and Ohio Police and Fire (OP&F) net pension liability/net pension asset and net OPEB liability, and the City's schedule of contributions to OPERS and OP&F. The RSI can be found on pages 90-102 of this report.

Government-Wide Financial Analysis

The statement of net position serves as a useful indicator of a government's financial position. The table on the following page provides a summary of the City's net position at December 31, 2018 and December 31, 2017. The net position at December 31, 2017 has been restated as described in Note 3.

CITY OF HUBBARD, OHIO

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

	Governmental Activities		Business-Type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
<u>Assets</u>						
Current and other assets	\$ 4,286,932	\$ 3,829,795	\$ 13,317,583	\$ 11,780,738	\$ 17,604,515	\$ 15,610,533
Capital assets, net	<u>3,741,107</u>	<u>3,751,410</u>	<u>12,962,009</u>	<u>13,304,376</u>	<u>16,703,116</u>	<u>17,055,786</u>
Total assets	<u>8,028,039</u>	<u>7,581,205</u>	<u>26,279,592</u>	<u>25,085,114</u>	<u>34,307,631</u>	<u>32,666,319</u>
<u>Deferred outflows of resources</u>						
Pension	462,555	708,835	358,313	838,978	820,868	1,547,813
OPEB	<u>215,445</u>	<u>8,292</u>	<u>78,575</u>	<u>13,891</u>	<u>294,020</u>	<u>22,183</u>
Total deferred outflows of resources	<u>678,000</u>	<u>717,127</u>	<u>436,888</u>	<u>852,869</u>	<u>1,114,888</u>	<u>1,569,996</u>
<u>Liabilities</u>						
Current liabilities	219,653	182,616	1,595,708	1,390,065	1,815,361	1,572,681
Long-term liabilities:						
Due within one year	464,025	449,235	798,868	757,321	1,262,893	1,206,556
Net pension liability	2,556,619	2,974,755	1,358,468	2,101,824	3,915,087	5,076,579
Net OPEB liability	2,250,737	1,994,341	970,269	954,976	3,221,006	2,949,317
Other amounts	<u>603,132</u>	<u>934,410</u>	<u>2,995,805</u>	<u>2,804,571</u>	<u>3,598,937</u>	<u>3,738,981</u>
Total liabilities	<u>6,094,166</u>	<u>6,535,357</u>	<u>7,719,118</u>	<u>8,008,757</u>	<u>13,813,284</u>	<u>14,544,114</u>
<u>Deferred inflows of resources</u>						
Property taxes	286,187	281,664	-	-	286,187	281,664
Pension	328,355	42,817	420,476	58,499	748,831	101,316
OPEB	<u>152,763</u>	<u>-</u>	<u>113,517</u>	<u>-</u>	<u>266,280</u>	<u>-</u>
Total deferred inflows of resources	<u>767,305</u>	<u>324,481</u>	<u>533,993</u>	<u>58,499</u>	<u>1,301,298</u>	<u>382,980</u>
<u>Net position</u>						
Net investment in capital assets	2,956,690	2,588,394	10,463,430	9,966,424	13,420,120	12,554,818
Restricted	103,168	266,902	-	-	103,168	266,902
Unrestricted	<u>(1,215,290)</u>	<u>(1,416,802)</u>	<u>7,999,939</u>	<u>7,904,303</u>	<u>6,784,649</u>	<u>6,487,501</u>
Total net position	<u>\$ 1,844,568</u>	<u>\$ 1,438,494</u>	<u>\$ 18,463,369</u>	<u>\$ 17,870,727</u>	<u>\$ 20,307,937</u>	<u>\$ 19,309,221</u>

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

CITY OF HUBBARD, OHIO

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

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

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

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

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

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

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

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 \$3,424,543 to \$1,438,494 for governmental activities and \$18,811,812 to \$17,870,727 for business-type activities.

CITY OF HUBBARD, OHIO

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2018, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,307,937. At year-end, net position was \$1,844,568 and \$18,463,369 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 48.69% of total assets. Capital assets at December 31, 2018, include land, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure, and construction in progress. The City's net investment in capital assets at December 31, 2018, was \$2,956,690 and \$10,463,430 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's net investment in capital assets is reported net of related long-term obligations, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$103,168, represents resources that are subject to external restriction on how they may be used. The unrestricted net position was \$6,784,649. The deficit unrestricted net position for governmental activities is due to reporting the net OPEB liability in accordance with GASB 75.

The following table presents a comparative analysis of changes in net position for 2018 and 2017. The net position at December 31, 2017 has been restated as described in Note 3.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	<u>2018</u>	Restated <u>2017</u>	<u>2018</u>	Restated <u>2017</u>	<u>2018</u>	Restated <u>2017</u>
Revenues						
Program revenues:						
Charges for services	\$ 41,848	\$ 46,198	\$ 10,883,644	\$ 10,412,140	\$ 10,925,492	\$ 10,458,338
Operating grants and contributions	467,312	444,007	-	-	467,312	444,007
Capital grants and contributions	<u>132,193</u>	<u>-</u>	<u>-</u>	<u>49,110</u>	<u>132,193</u>	<u>49,110</u>
Total program revenues	<u>641,353</u>	<u>490,205</u>	<u>10,883,644</u>	<u>10,461,250</u>	<u>11,524,997</u>	<u>10,951,455</u>
General revenues:						
Property taxes	281,509	280,180	-	-	281,509	280,180
Income taxes	2,439,848	2,122,445	-	-	2,439,848	2,122,445
Other local taxes	-	-	30,805	28,871	30,805	28,871
Unrestricted grants and entitlements	145,054	147,409	-	8,907	145,054	156,316
Investment earnings	156,369	85,771	1,282	-	157,651	85,771
Miscellaneous	<u>369,393</u>	<u>197,443</u>	<u>131,489</u>	<u>61,793</u>	<u>500,882</u>	<u>259,236</u>
Total general revenues	<u>3,392,173</u>	<u>2,833,248</u>	<u>163,576</u>	<u>99,571</u>	<u>3,555,749</u>	<u>2,932,819</u>
Total revenues	<u>4,033,526</u>	<u>3,323,453</u>	<u>11,047,220</u>	<u>10,560,821</u>	<u>15,080,746</u>	<u>13,884,274</u>

-Continued

CITY OF HUBBARD, OHIO

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

Change in Net Position (Continued)

	Governmental		Business-type		Total	
	Activities		Activities			
		Restated		Restated		Restated
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Expenses:						
General government	505,116	491,136	-	-	505,116	491,136
Security of persons and property	2,061,545	1,718,054	-	-	2,061,545	1,718,054
Public health and welfare	25,406	22,267	-	-	25,406	22,267
Transportation	979,954	812,245	-	-	979,954	812,245
Community environment	800	200	-	-	800	200
Leisure time activity	28,947	31,592	-	-	28,947	31,592
Interest and fiscal charges	25,684	32,231	-	-	25,684	32,231
Sewer	-	-	1,219,966	1,271,111	1,219,966	1,271,111
Water	-	-	1,699,170	1,532,909	1,699,170	1,532,909
Electric	-	-	7,448,546	6,974,809	7,448,546	6,974,809
Guarantee trust	-	-	9,605	8,700	9,605	8,700
Stormwater	-	-	77,291	81,962	77,291	81,962
Total expenses	<u>3,627,452</u>	<u>3,107,725</u>	<u>10,454,578</u>	<u>9,869,491</u>	<u>14,082,030</u>	<u>12,977,216</u>
Change in net position	406,074	215,728	592,642	691,330	998,716	907,058
Net position at beginning of year (restated)	<u>1,438,494</u>	N/A	<u>17,870,727</u>	N/A	<u>19,309,221</u>	N/A
Net position at end of year	<u>\$ 1,844,568</u>	<u>\$ 1,438,494</u>	<u>\$ 18,463,369</u>	<u>\$ 17,870,727</u>	<u>\$ 20,307,937</u>	<u>\$ 19,309,221</u>

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 \$22,183 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 \$272,554.

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

	Governmental	Business-Type
	Activities	Activities
Total 2018 program expenses under GASB 75	\$ 3,627,452	\$ 10,454,578
OPEB expense under GASB 75	(206,800)	(65,754)
2018 contractually required contributions	<u>4,794</u>	<u>1,628</u>
Adjusted 2018 program expenses	3,425,446	10,390,452
Total 2017 program expenses under GASB 45	<u>3,107,725</u>	<u>9,869,491</u>
Increase in program expenses not related to OPEB	<u>\$ 317,721</u>	<u>\$ 520,961</u>

CITY OF HUBBARD, OHIO

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

Governmental Activities

The net position of the governmental activities increased \$406,074 or 28.23% in 2018. Overall, both revenues and expenses increased, and revenues still exceeded expenses.

The overall increase in revenues was \$710,073 or 21.37%. Capital grants and contributions increased in 2018 as a result of grants from the Ohio Public Works Department for street repairs and improvements. Income taxes also increased, which is mostly due to an increase in taxes receivable at year-end.

The State and federal government contributed to the City a total of \$599,505 in operating grants and contributions and capital grants and contributions during 2018. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$591,059 subsidized the City's transportation programs.

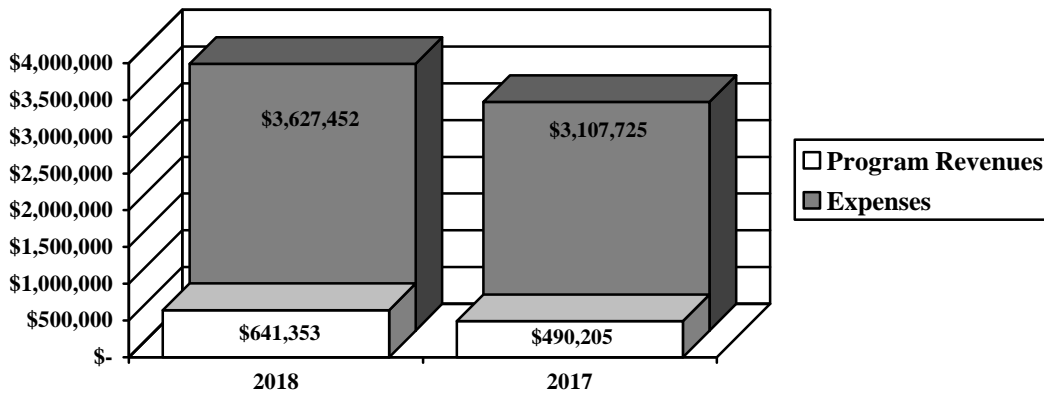
General revenues totaled \$3,392,173 and amounted to 84.10% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$2,721,357. These two revenue sources comprised 67.47% of total governmental revenues in 2018.

Total expenses in 2018 were \$519,727 or 16.72% more than the prior year. This was partially due to the implementation of GASB 75, as shown on the preceding table. In addition, the operating loss for the internal service fund is primarily allocated to the governmental activities which had the effect of increasing expenses, particularly for security of persons and property and transportation programs.

Security of persons and property expenses, which primarily support the operations of the police department, accounted for \$2,061,545 or 56.83% of the total expenses of the City. These expenses were \$343,491 or 19.99% higher than the prior year as explained above.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. As can be seen in the graph below, the City is highly dependent upon property and income taxes, as well as unrestricted grants and entitlements and other general revenues, to support its governmental activities.

Governmental Activities – Program Revenues vs. Total Expenses



CITY OF HUBBARD, OHIO

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

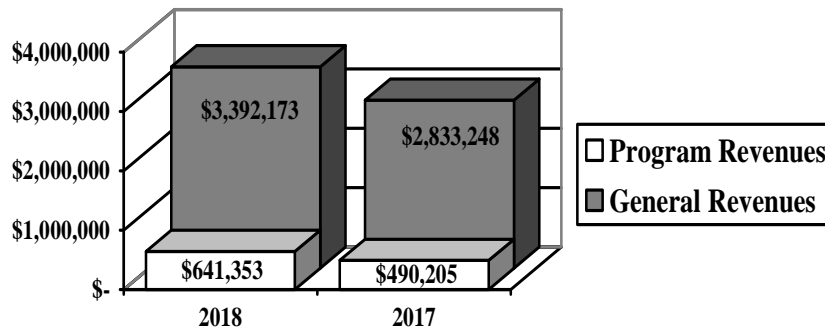
The following table shows, for governmental activities, the total cost of services and the net cost of services for 2018 and 2017. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2018</u>	<u>2018</u>	<u>2017</u>	<u>2017</u>
Program Expenses:				
General government	\$ 505,116	\$ 498,215	\$ 491,136	\$ 484,449
Security of persons and property	2,061,545	2,024,784	1,718,054	1,676,639
Public health and welfare	25,406	20,660	22,267	19,551
Transportation	979,954	388,895	812,245	374,554
Community environment	800	800	200	200
Leisure time activity	28,947	27,061	31,592	29,896
Interest and fiscal charges	<u>25,684</u>	<u>25,684</u>	<u>32,231</u>	<u>32,231</u>
Total	<u>\$ 3,627,452</u>	<u>\$ 2,986,099</u>	<u>\$ 3,107,725</u>	<u>\$ 2,617,520</u>

The dependence upon general revenues for governmental activities is apparent, with 82.32% of expenses supported through taxes and other general revenues.

The following graph shows a comparison of program revenues and general revenues for governmental activities for 2018 and 2017.

Governmental Activities – Program Revenues and General Revenues



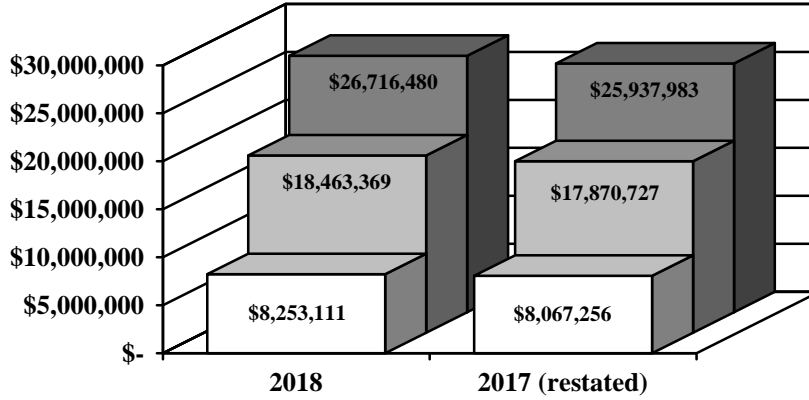
Business-type Activities

Business-type activities include the water, sewer, electric, guarantee trust and stormwater enterprise funds. These programs had program revenues of \$10,883,644, general revenues of \$163,576, and expenses of \$10,454,578 during 2018. The following graph shows the business-type activities assets, deferred outflows of resources, liabilities and net position at December 31, 2018 and December 31, 2017. The net position at December 31, 2017 has been restated as described in Note 3.

CITY OF HUBBARD, OHIO

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

Net Position in Business-type Activities



Liabilities and deferred inflows
 Net Position
 Assets and deferred outflows

Business-type activities net position increased \$592,642 due to revenues continuing to exceed expenses in 2018.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements.

The City's governmental funds, as presented on the balance sheet, reported a combined fund balance of \$2,507,110, which is \$171,859 higher than last year's total of \$2,335,251. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2018 and December 31, 2017 for all major and nonmajor governmental funds.

	Fund Balances 12/31/18	Fund Balances 12/31/17	Change
General Fund	\$ 1,593,928	\$ 1,341,153	\$ 252,775
Street construction and maintenance	398,908	422,473	(23,565)
Nonmajor Governmental Funds	<u>514,274</u>	<u>571,625</u>	<u>(57,351)</u>
Total	<u>\$ 2,507,110</u>	<u>\$ 2,335,251</u>	<u>\$ 171,859</u>

CITY OF HUBBARD, OHIO

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

General Fund

The City's general fund balance increased \$252,775 or 18.85%. The table that follows assists in illustrating the revenues of the general fund.

	<u>2018 Amount</u>	<u>2017 Amount</u>	<u>Percentage Change</u>
<u>Revenues</u>			
Taxes	\$ 2,318,600	\$ 2,393,511	(3.13) %
Charges for services	559	601	(6.99) %
Licenses and permits	127,678	99,574	28.22 %
Fines and forfeitures	28,318	34,222	(17.25) %
Intergovernmental	141,066	141,087	(0.01) %
Investment income	156,369	85,771	82.31 %
Other	200,073	44,900	345.60 %
Total	<u>\$ 2,972,663</u>	<u>\$ 2,799,666</u>	<u>6.18 %</u>

Taxes revenue, consisting of property taxes and income taxes, represents 78.00% of all general fund revenue in 2018. Although these revenues decreased slightly in 2018, overall general fund revenues increased 6.18%. The increase in investment income is primarily due to a rise in interest rates for the City's CDs and other interest-bearing accounts. Other revenues also increased due to various refunds and reimbursements received.

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

	<u>2018 Amount</u>	<u>2017 Amount</u>	<u>Percentage Change</u>
<u>Expenditures</u>			
General government	\$ 410,024	\$ 425,659	(3.67) %
Security of persons and property	1,522,318	1,498,442	1.59 %
Public health and welfare	14,326	13,567	5.59 %
Community environment	800	200	300.00 %
Leisure time activity	5,295	7,538	(29.76) %
Total	<u>\$ 1,952,763</u>	<u>\$ 1,945,406</u>	<u>0.38 %</u>

General fund expenditures remained consistent with prior year amounts, increasing \$7,357 or 0.38%.

Street Construction and Maintenance Fund

The street construction and maintenance fund had revenues and other financing sources of \$692,814 and expenditures of \$716,379 in 2018. These represent slight decreases compared to prior year amounts, mostly as a result of entering into a capital lease agreement in 2017. During 2018, fund balance decreased \$23,565 or 5.58%.

Budgeting Highlights

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

CITY OF HUBBARD, OHIO

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

In the general fund, actual budgetary-basis revenues and other financing sources of \$2,373,693 were \$17,186 less than the amount projected in the final budget. Actual budgetary-basis expenditures and other financing uses of \$2,048,797 were \$35,853 less than the amount in the final budget. Budgeted revenues and other financing sources increased \$426,557 or 21.71% from the original to the final budget. Budgeted expenditures and other financing uses decreased \$141,185 or 6.34% from the original to the final budget.

Proprietary Funds

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

The City's major enterprise funds are the sewer fund, water fund and electric fund. The sewer and electric funds reported an increase in net position for the year, while the water fund reported a decrease in net position. Both revenues and expenses for the electric fund increased in 2018, reflecting higher consumer demand, while activity in the water and sewer fund were comparable to the prior year.

Capital Assets and Debt Administration

Capital Assets

At the end of 2018, the City had \$16,703,116 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure and construction in progress. Of this total, \$3,741,107 was reported in governmental activities and \$12,962,009 was reported in business-type activities. See Note 9 in the notes to the basic financial statements for more detail on the City's capital assets.

The following table shows December 31, 2018 balances compared to December 31, 2017.

**Capital Assets at December 31
(Net of Depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 597,871	\$ 597,871	\$ 180,423	\$ 180,423	\$ 778,294	\$ 778,294
Constuction in progress	-	-	220,618	-	220,618	-
Land improvements	122,430	153,354	33,977	46,008	156,407	199,362
Buildings and improvements	1,333,888	1,382,503	2,539,221	2,607,860	3,873,109	3,990,363
Furniture and equipment	33,096	39,043	1,168,607	1,237,156	1,201,703	1,276,199
Vehicles	331,137	352,717	155,380	188,585	486,517	541,302
Infrastructure	1,322,685	1,225,922	8,663,783	9,044,344	9,986,468	10,270,266
Totals	\$ 3,741,107	\$ 3,751,410	\$ 12,962,009	\$ 13,304,376	\$ 16,703,116	\$ 17,055,786

The overall decrease in governmental capital assets is due to depreciation expense of \$344,282 being higher than capital outlays of \$333,979 during 2018. The overall decrease in business-type capital assets is due to depreciation expense of \$643,464 exceeding capital asset additions of \$301,097.

CITY OF HUBBARD, OHIO

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

One of the City's largest governmental capital asset categories is infrastructure, which includes roads, sidewalks, traffic lights and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents 35.36% of the City's total governmental capital assets. Buildings and improvements is also a significant capital asset category, accounting for 35.65% of the City's total governmental capital assets.

The City's largest business-type capital asset category is infrastructure, which primarily includes water, sewer, and electrical lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents 66.84% of the City's total business-type capital assets.

Debt Administration

At December 31, 2018, the City had long-term obligations totaling \$11,997,923. Of this total, \$1,262,893 is due within one year and \$10,735,030 is due in more than one year. See Note 13 in the notes to the basic financial statements for more detail on the City's long-term obligations.

The City had the following long-term obligations outstanding at December 31, 2018 and December 31, 2017. The long-term obligations at December 31, 2017 have been restated as described in Note 3.

	Governmental Activities	
	12/31/2018	Restated 12/31/2017
Refunding bonds	\$ 735,000	\$ 1,090,000
Compensated absences	282,740	220,629
Net pension liability	2,556,619	2,974,755
Net OPEB liability	2,250,737	1,994,341
Capital lease obligation	49,417	73,016
Total long-term obligations	\$ 5,874,513	\$ 6,352,741
	Business-type Activities	
	December 31, 2018	Restated December 31, 2017
OPWC loans	\$ 350,758	\$ 420,024
OWDA loans	300,148	485,899
Electric system improvements notes (L.O.C.)	-	1,116,000
Bond anticipation notes	785,000	-
Sewer revenue bonds	2,000,000	1,200,000
Stranded cost liability	54,299	85,365
Net pension liability	1,358,468	2,101,824
Net OPEB liability	970,269	954,976
Compensated absences	225,517	138,575
Capital lease obligation	78,951	116,029
Total long-term obligations	\$ 6,123,410	\$ 6,618,692

CITY OF HUBBARD, OHIO

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

Economic Conditions and Next Year's General Fund Budget Outlook

The City's Administration considers the impact of various economic factors when establishing the 2019 budget. The stabilization of both revenue and expense streams have influenced the objectives established in the 2019 budget. As a result, the City continues to operate its financial decision making conservatively.

The City continues to carefully monitor two primary sources of revenue – local income taxes and shared intergovernmental (state) revenue. In order to sustain these revenue sources, City Council continues to make efforts to maintain the community's employment base, the community's reputation for high public safety standards, and adopt a budget designed to promote long-term fiscal stability. In order to meet the objectives of the 2019 budget, the City continues initiatives which contain costs and maintain consistent revenues.

Final budgeted revenues and other financing sources in the general fund for 2018 were \$2,390,879, an increase of \$307,636 or 14.77% from the final 2017 budgeted amount of \$2,083,243. Final budgeted expenditures and other financing uses in the general fund for 2018 were \$2,084,650, an increase of \$84,845 or 4.24% from the final 2017 budgeted amount of \$1,999,805. For the financial reporting purposes of budgetary activity, the general fund is comprised of only the legally budgeted general fund.

The average unemployment rate for Trumbull County in 2018 was 6.2%, which represents a decrease from the 2017 rate of 7.2%. This is the result of a continued revitalization and growth in the construction and manufacturing sectors of the regional economy. The Trumbull County unemployment rate compared slightly higher than the 4.6% State of Ohio average as well as the 3.9% national average. The City Auditor anticipates the 2019 rate to increase due to closures of Steward Health-Northside Medical Center, General Motors Lordstown Assembly Plant, Comprehensive Logistics and Falcon Transport. The combination of the City's stabilization of local income tax collections and continued conservative budgeting practices should result in a sustainable financial future for the City.

Contacting the City's Financial Management

This financial report is designed to provide our citizens', taxpayers, and 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 City Auditor's Office, Michael C. Villano, Ph.D., CPA, CMA, CGMA Auditor, City of Hubbard, Ohio, 220 West Liberty Street, Hubbard, Ohio 44425 or visit our website at www.cityofhubbard.com.

CITY OF HUBBARD, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 2,680,796	\$ 10,989,962	\$ 13,670,758
Cash in segregated accounts	550	500	1,050
Receivables (net of allowance for uncollectibles):			
Income taxes	759,787	-	759,787
Real and other taxes	335,422	3,558	338,980
Accounts	30,021	912,281	942,302
Special assessments	7,703	-	7,703
Internal balance	139,873	(139,873)	-
Due from other governments	248,350	4,826	253,176
Prepayments	37,578	86,942	124,520
Materials and supplies inventory	36,004	552,294	588,298
Investment in joint ventures	-	61,849	61,849
Regulatory asset	-	817,109	817,109
Net pension asset	10,848	28,135	38,983
Capital assets:			
Nondepreciable capital assets	597,871	401,041	998,912
Depreciable capital assets, net	3,143,236	12,560,968	15,704,204
Total capital assets	<u>3,741,107</u>	<u>12,962,009</u>	<u>16,703,116</u>
Total assets	<u>8,028,039</u>	<u>26,279,592</u>	<u>34,307,631</u>
Deferred outflows of resources:			
Pension	462,555	358,313	820,868
OPEB	215,445	78,575	294,020
Total deferred outflows of resources	<u>678,000</u>	<u>436,888</u>	<u>1,114,888</u>
Liabilities:			
Accounts payable	21,561	541,914	563,475
Retainage payable	-	8,722	8,722
Accrued wages and benefits	55,051	51,441	106,492
Due to other governments	34,832	26,491	61,323
Accrued interest payable	1,409	29,330	30,739
Claims payable	106,800	-	106,800
Bond anticipation notes payable	-	175,000	175,000
Regulatory liability	-	762,810	762,810
Long-term liabilities:			
Due within one year	464,025	798,868	1,262,893
Due in more than one year:			
Net pension liability	2,556,619	1,358,468	3,915,087
Net OPEB liability	2,250,737	970,269	3,221,006
Other amounts due in more than one year	603,132	2,995,805	3,598,937
Total liabilities	<u>6,094,166</u>	<u>7,719,118</u>	<u>13,813,284</u>
Deferred inflows of resources:			
Property and other taxes levied for the next fiscal year	286,187	-	286,187
Pension	328,355	420,476	748,831
OPEB	152,763	113,517	266,280
Total deferred inflows of resources	<u>767,305</u>	<u>533,993</u>	<u>1,301,298</u>
Net position:			
Net investment in capital assets	2,956,690	10,463,430	13,420,120
Restricted for:			
State highway	30,094	-	30,094
Law enforcement	33,425	-	33,425
Police pension	22,309	-	22,309
Other purposes	15,619	-	15,619
Perpetual care:			
Expendable	881	-	881
Nonexpendable	840	-	840
Unrestricted	<u>(1,215,290)</u>	<u>7,999,939</u>	<u>6,784,649</u>
Total net position	<u>\$ 1,844,568</u>	<u>\$ 18,463,369</u>	<u>\$ 20,307,937</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2018

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government.	\$ 505,116	\$ 6,901	\$ -	\$ -
Security of persons and property	2,061,545	30,201	6,560	-
Public health and welfare	25,406	4,746	-	-
Transportation.	979,954	-	458,866	132,193
Community environment	800	-	-	-
Leisure time activity.	28,947	-	1,886	-
Interest and fiscal charges.	25,684	-	-	-
Total governmental activities	3,627,452	41,848	467,312	132,193
Business-type activities:				
Sewer.	1,219,966	1,452,558	-	-
Water.	1,699,170	1,579,074	-	-
Electric.	7,448,546	7,722,065	-	-
Other business-type activities:				
Guarantee trust.	9,605	-	-	-
Stormwater.	77,291	129,947	-	-
Total business-type activities	10,454,578	10,883,644	-	-
Total primary government	\$ 14,082,030	\$ 10,925,492	\$ 467,312	\$ 132,193

General Revenues:

Property taxes levied for:	
General purposes	
Police pension.	
Income taxes levied for:	
General purposes	
Other local taxes	
Grants and entitlements not restricted to specific programs	
Investment earnings	
Miscellaneous	
 Total general revenues	
 Change in net position	
 Net position at beginning of year (restated)	
 Net position at end of year.	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

Governmental Activities	Business-type Activities	Total
\$ (498,215)	\$ -	\$ (498,215)
(2,024,784)	-	(2,024,784)
(20,660)	-	(20,660)
(388,895)	-	(388,895)
(800)	-	(800)
(27,061)	-	(27,061)
(25,684)	-	(25,684)
<u>(2,986,099)</u>	<u>-</u>	<u>(2,986,099)</u>
-	232,592	232,592
-	(120,096)	(120,096)
-	273,519	273,519
-	(9,605)	(9,605)
-	52,656	52,656
<u>-</u>	<u>429,066</u>	<u>429,066</u>
<u>(2,986,099)</u>	<u>429,066</u>	<u>(2,557,033)</u>
252,432	-	252,432
29,077	-	29,077
2,439,848	-	2,439,848
-	30,805	30,805
145,054	-	145,054
156,369	1,282	157,651
<u>369,393</u>	<u>131,489</u>	<u>500,882</u>
3,392,173	163,576	3,555,749
406,074	592,642	998,716
<u>1,438,494</u>	<u>17,870,727</u>	<u>19,309,221</u>
<u>\$ 1,844,568</u>	<u>\$ 18,463,369</u>	<u>\$ 20,307,937</u>

CITY OF HUBBARD, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2018

	<u>General</u>	<u>Street Construction and Maintenance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,387,216	\$ 312,696	\$ 509,279	\$ 2,209,191
Cash in segregated accounts.	200	350	-	550
Receivables (net of allowance for uncollectibles):				
Income taxes.	759,787	-	-	759,787
Real and other taxes	300,992	-	34,430	335,422
Accounts.	26,740	-	17	26,757
Special assessments	7,703	-	-	7,703
Due from other governments.	67,493	165,425	15,432	248,350
Prepayments	21,369	16,157	52	37,578
Materials and supplies inventory.	7,822	28,182	-	36,004
Total assets	<u>\$ 2,579,322</u>	<u>\$ 522,810</u>	<u>\$ 559,210</u>	<u>\$ 3,661,342</u>
Liabilities:				
Accounts payable.	\$ 20,976	\$ 535	\$ 50	\$ 21,561
Accrued wages and benefits.	43,474	11,577	-	55,051
Due to other governments	28,359	6,394	79	34,832
Total liabilities	<u>92,809</u>	<u>18,506</u>	<u>129</u>	<u>111,444</u>
Deferred inflows of resources:				
Property and other taxes levied for the next fiscal year.	256,851	-	29,336	286,187
Income tax revenue not available	541,220	-	-	541,220
Delinquent property tax revenue not available.	37,490	-	4,326	41,816
Special assessments revenue not available.	7,703	-	-	7,703
Intergovernmental revenue not available.	49,321	105,396	11,145	165,862
Total deferred inflows of resources	<u>892,585</u>	<u>105,396</u>	<u>44,807</u>	<u>1,042,788</u>
Fund balances:				
Nonspendable	35,794	44,339	892	81,025
Restricted.	-	354,569	89,316	443,885
Committed	-	-	66,777	66,777
Assigned	248,524	-	357,289	605,813
Unassigned.	1,309,610	-	-	1,309,610
Total fund balances.	<u>1,593,928</u>	<u>398,908</u>	<u>514,274</u>	<u>2,507,110</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,579,322</u>	<u>\$ 522,810</u>	<u>\$ 559,210</u>	<u>\$ 3,661,342</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

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

Total governmental fund balances		\$ 2,507,110
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		3,741,107
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		
Income taxes receivable	\$ 541,220	
Property taxes receivable	41,816	
Special assessments receivable	7,703	
Intergovernmental receivable	165,862	
Total		756,601
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(1,409)
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		368,069
An internal balance is recorded in governmental activities to reflect underpayments or overpayments to the internal service fund by the business-type activities.		139,873
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(735,000)	
Compensated absences payable	(282,740)	
Capital lease payable	(49,417)	
Total		<u>(1,067,157)</u>
The net pension asset/liability is not due and receivable/payable in the current period; therefore, the asset, liability and related deferred inflows/outflows of resources are not reported in the governmental funds:		
Deferred outflows of resources - pension	462,555	
Deferred inflows of resources - pension	(328,355)	
Net pension asset	10,848	
Net pension liability	(2,556,619)	
Total		<u>(2,411,571)</u>
The net OPEB liability is not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources	215,445	
Deferred inflows of resources	(152,763)	
Net OPEB liability	(2,250,737)	
Total		<u>(2,188,055)</u>
Net position of governmental activities		<u>\$ 1,844,568</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

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

	<u>General</u>	<u>Street Construction and Maintenance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Income taxes	\$ 2,064,952	\$ -	\$ -	\$ 2,064,952
Property and other taxes.	253,648	-	29,217	282,865
Charges for services.	559	-	3,975	4,534
Licenses and permits	127,678	-	-	127,678
Fines and forfeitures	28,318	-	3,295	31,613
Intergovernmental.	141,066	411,581	170,823	723,470
Investment income.	156,369	4,626	108	161,103
Other	200,073	9,665	45,038	254,776
Total revenues	<u>2,972,663</u>	<u>425,872</u>	<u>252,456</u>	<u>3,650,991</u>
Expenditures:				
Current:				
General government	410,024	-	27,999	438,023
Security of persons and property	1,522,318	-	32,745	1,555,063
Public health and welfare.	14,326	-	10,159	24,485
Transportation	-	690,514	24,475	714,989
Community environment	800	-	-	800
Leisure time activity	5,295	-	20,963	26,258
Capital outlay	-	-	320,447	320,447
Debt service:				
Principal retirement.	-	23,599	355,000	378,599
Interest and fiscal charges	-	2,266	24,010	26,276
Total expenditures	<u>1,952,763</u>	<u>716,379</u>	<u>815,798</u>	<u>3,484,940</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>1,019,900</u>	<u>(290,507)</u>	<u>(563,342)</u>	<u>166,051</u>
Other financing sources (uses):				
Sale of capital assets.	1,981	3,827	-	5,808
Transfers in	-	263,115	505,991	769,106
Transfers out.	<u>(769,106)</u>	<u>-</u>	<u>-</u>	<u>(769,106)</u>
Total other financing sources (uses)	<u>(767,125)</u>	<u>266,942</u>	<u>505,991</u>	<u>5,808</u>
Net change in fund balances	252,775	(23,565)	(57,351)	171,859
Fund balances at beginning of year	<u>1,341,153</u>	<u>422,473</u>	<u>571,625</u>	<u>2,335,251</u>
Fund balances at end of year	<u>\$ 1,593,928</u>	<u>\$ 398,908</u>	<u>\$ 514,274</u>	<u>\$ 2,507,110</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

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

Net change in fund balances - total governmental funds	\$	171,859
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 333,979	
Current year depreciation	<u>(344,282)</u>	
Total		(10,303)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	374,896	
Property taxes	(1,356)	
Special assessments	2,210	
Intergovernmental revenues	<u>977</u>	
Total		376,727
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		592
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		378,599
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension		228,006
OPEB		4,794
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension		(334,955)
OPEB		(206,800)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(62,111)
An internal service fund used by management to charge the costs of health insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, net of internal balance activity of \$156,638, is:		
		<u>(140,334)</u>
Change in net position of governmental activities	\$	<u>406,074</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, 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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property and other taxes.	\$ 209,864	\$ 255,435	\$ 253,598	\$ (1,837)
Charges for services.	421	513	509	(4)
Licenses and permits	103,356	125,800	124,896	(904)
Fines and forfeitures	23,434	28,523	28,318	(205)
Intergovernmental.	115,492	140,571	139,561	(1,010)
Investment income.	129,401	157,501	156,369	(1,132)
Other	166,683	202,879	201,421	(1,458)
Total revenues	<u>748,651</u>	<u>911,222</u>	<u>904,672</u>	<u>(6,550)</u>
Expenditures:				
Current:				
General government	360,885	292,250	283,290	8,960
Security of persons and property	1,630,050	1,558,150	1,532,899	25,251
Public health and welfare.	14,000	14,500	14,326	174
Community environment	900	1,500	800	700
Leisure time activity	10,000	5,750	5,298	452
Total expenditures	<u>2,015,835</u>	<u>1,872,150</u>	<u>1,836,613</u>	<u>35,537</u>
Excess of expenditures over revenues	<u>(1,267,184)</u>	<u>(960,928)</u>	<u>(931,941)</u>	<u>28,987</u>
Other financing sources (uses):				
Sale of capital assets.	1,639	1,995	1,981	(14)
Transfers in	1,214,032	1,477,662	1,467,040	(10,622)
Transfers out.	(210,000)	(212,500)	(212,184)	316
Total other financing sources (uses)	<u>1,005,671</u>	<u>1,267,157</u>	<u>1,256,837</u>	<u>(10,320)</u>
Net change in fund balance	(261,513)	306,229	324,896	18,667
Fund balance at beginning of year.	<u>1,055,717</u>	<u>1,055,717</u>	<u>1,055,717</u>	<u>-</u>
Fund balance at end of year	<u>\$ 794,204</u>	<u>\$ 1,361,946</u>	<u>\$ 1,380,613</u>	<u>\$ 18,667</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental.	\$ 394,305	\$ 411,642	\$ 411,652	\$ 10
Investment income.	2,380	4,621	4,626	5
Other	4,749	9,652	9,665	13
Total revenues	<u>401,434</u>	<u>425,915</u>	<u>425,943</u>	<u>28</u>
Expenditures:				
Current:				
Transportation	779,200	743,600	686,141	57,459
Debt service:				
Principal retirement.	24,500	23,600	23,599	1
Interest and fiscal charges	2,500	2,400	2,266	134
Total expenditures	<u>806,200</u>	<u>769,600</u>	<u>712,006</u>	<u>57,594</u>
Excess of expenditures over revenues	<u>(404,766)</u>	<u>(343,685)</u>	<u>(286,063)</u>	<u>57,622</u>
Other financing sources:				
Sale of capital assets.	401	3,801	3,827	26
Transfers in	248,165	263,169	263,115	(54)
Total other financing sources	<u>248,566</u>	<u>266,970</u>	<u>266,942</u>	<u>(28)</u>
Net change in fund balances	(156,200)	(76,715)	(19,121)	57,594
Fund balances at beginning of year	<u>331,817</u>	<u>331,817</u>	<u>331,817</u>	<u>-</u>
Fund balance at end of year	<u>\$ 175,617</u>	<u>\$ 255,102</u>	<u>\$ 312,696</u>	<u>\$ 57,594</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF HUBBARD, OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2018

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Sewer	Water	Electric	Nonmajor	Total	
Assets:						
Current assets:						
Equity in pooled cash and cash equivalents	\$ 3,986,832	\$ 1,455,897	\$ 4,968,200	\$ 579,033	\$ 10,989,962	\$ 471,605
Cash in segregated accounts	-	300	200	-	500	-
Receivables (net of allowance for uncollectibles):						
Real and other taxes	-	-	3,558	-	3,558	-
Accounts	118,016	127,943	650,335	15,987	912,281	3,264
Due from other governments	4,826	-	-	-	4,826	-
Prepayments	15,248	32,563	39,131	-	86,942	-
Materials and supplies inventory	9,514	83,528	459,252	-	552,294	-
Total current assets	4,134,436	1,700,231	6,120,676	595,020	12,550,363	474,869
Noncurrent assets:						
Net pension asset	6,542	7,818	13,775	-	28,135	-
Investment in joint ventures	-	-	61,849	-	61,849	-
Regulatory asset	-	-	817,109	-	817,109	-
Capital assets:						
Nondepreciable capital assets	95,078	305,963	-	-	401,041	-
Depreciable capital assets, net	6,212,822	4,161,790	2,009,492	176,864	12,560,968	-
Total capital assets	6,307,900	4,467,753	2,009,492	176,864	12,962,009	-
Total noncurrent assets	6,314,442	4,475,571	2,902,225	176,864	13,869,102	-
Total assets	10,448,878	6,175,802	9,022,901	771,884	26,419,465	474,869
Deferred outflows of resources:						
Pension	87,460	99,608	171,245	-	358,313	-
OPEB	22,526	20,293	35,756	-	78,575	-
Total deferred outflows of resources	109,986	119,901	207,001	-	436,888	-
Liabilities:						
Current liabilities:						
Accounts payable	24,986	51,880	464,893	155	541,914	-
Retainage payable	-	8,722	-	-	8,722	-
Accrued wages and benefits	12,919	14,417	24,105	-	51,441	-
Compensated absences	14,846	12,648	74,596	-	102,090	-
Due to other governments	5,495	7,485	13,511	-	26,491	-
Claims payable	-	-	-	-	-	106,800
Regulatory liability	-	-	762,810	-	762,810	-
Current portion of OWDA loans	-	197,974	-	-	197,974	-
Current portion of OPWC loans	19,177	40,973	-	-	60,150	-
Bond anticipation notes payable	-	-	175,000	-	175,000	-
Current portion of capital lease obligation	-	-	38,654	-	38,654	-
Current portion of revenue bonds	400,000	-	-	-	400,000	-
Accrued interest payable	4,726	-	24,604	-	29,330	-
Total current liabilities	482,149	334,099	1,578,173	155	2,394,576	106,800
Long-term liabilities:						
Revenue bonds payable	1,600,000	-	-	-	1,600,000	-
OWDA loans	-	102,174	-	-	102,174	-
OPWC loans	166,296	124,312	-	-	290,608	-
Stranded cost liability	-	-	54,299	-	54,299	-
Capital lease obligation	-	-	40,297	-	40,297	-
Bond anticipation notes payable	-	-	785,000	-	785,000	-
Compensated absences	12,801	24,819	85,807	-	123,427	-
Net pension liability	315,860	377,488	665,120	-	1,358,468	-
Net OPEB liability	225,599	269,616	475,054	-	970,269	-
Total long-term liabilities	2,320,556	898,409	2,105,577	-	5,324,542	-
Total liabilities	2,802,705	1,232,508	3,683,750	155	7,719,118	106,800
Deferred inflows of resources:						
Pension	79,404	98,305	242,767	-	420,476	-
OPEB	16,806	22,659	74,052	-	113,517	-
Total deferred inflows of resources	96,210	120,964	316,819	-	533,993	-
Net position:						
Net investment in capital assets	5,322,427	3,993,598	970,541	176,864	10,463,430	-
Unrestricted	2,337,522	948,633	4,258,792	594,865	8,139,812	368,069
Total net position	\$ 7,659,949	\$ 4,942,231	\$ 5,229,333	\$ 771,729	18,603,242	\$ 368,069
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds					(139,873)	
Net position of business-type activities					\$ 18,463,369	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

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

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Electric	Nonmajor
Operating revenues:				
Charges for services	1,452,558	1,579,074	7,722,065	129,947
Other	56,950	27,004	26,121	15,593
Total operating revenues.	<u>1,509,508</u>	<u>1,606,078</u>	<u>7,748,186</u>	<u>145,540</u>
Operating expenses:				
Personal services	565,069	632,008	1,072,081	-
Contract services.	148,662	784,178	5,694,948	73,312
Materials and supplies.	114,159	72,657	361,514	-
Claims expense	-	-	-	-
Other	17,975	-	-	9,605
Depreciation.	305,534	148,754	185,197	3,979
Total operating expenses.	<u>1,151,399</u>	<u>1,637,597</u>	<u>7,313,740</u>	<u>86,896</u>
Operating income (loss).	<u>358,109</u>	<u>(31,519)</u>	<u>434,446</u>	<u>58,644</u>
Nonoperating revenues (expenses):				
Interest expense and fiscal charges.	(32,420)	(19,437)	(28,816)	-
Debt issuance costs.	(363)	-	(27,272)	-
Investment income.	1,282	-	-	-
Gain on disposal of capital assets	536	-	5,285	-
Other nonoperating revenues.	-	-	30,805	-
Total nonoperating revenues (expenses).	<u>(30,965)</u>	<u>(19,437)</u>	<u>(19,998)</u>	<u>-</u>
Change in net position	327,144	(50,956)	414,448	58,644
Net position at beginning of year (restated)	<u>7,332,805</u>	<u>4,993,187</u>	<u>4,814,885</u>	<u>713,085</u>
Net position at end of year	<u>\$ 7,659,949</u>	<u>\$ 4,942,231</u>	<u>\$ 5,229,333</u>	<u>\$ 771,729</u>

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

Change in net position of business-type activities

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
10,883,644	832,194
125,668	-
<u>11,009,312</u>	<u>832,194</u>
2,269,158	-
6,701,100	-
548,330	-
-	1,129,166
27,580	-
643,464	-
<u>10,189,632</u>	<u>1,129,166</u>
<u>819,680</u>	<u>(296,972)</u>
(80,673)	-
(27,635)	-
1,282	-
5,821	-
30,805	-
<u>(70,400)</u>	<u>-</u>
749,280	(296,972)
	<u>665,041</u>
	<u>\$ 368,069</u>
<u>(156,638)</u>	
<u>\$ 592,642</u>	

CITY OF HUBBARD, OHIO

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

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Electric	Nonmajor
Cash flows from operating activities:				
Cash received from customers	\$ 1,456,388	\$ 1,625,347	\$ 7,764,634	\$ 129,544
Cash received from other operations.	57,825	27,004	26,121	15,593
Cash payments for personal services	(508,573)	(562,012)	(960,436)	-
Cash payments for contract services	(112,442)	(778,450)	(5,736,462)	(73,493)
Cash payments for materials and supplies	(117,137)	(73,040)	(359,813)	-
Cash payments for claims	-	-	-	-
Cash payments for other expenses.	(17,975)	-	-	(9,605)
Net cash provided by (used in) operating activities.	<u>758,086</u>	<u>238,849</u>	<u>734,044</u>	<u>62,039</u>
Cash flows from noncapital financing activities:				
Cash received from property and other taxes	-	-	30,446	-
Net cash provided by noncapital financing activities	<u>-</u>	<u>-</u>	<u>30,446</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Acquisition of capital assets	-	(279,861)	(12,514)	-
Sale of capital assets	536	-	5,285	-
Payment to refunding escrow agent	(800,000)	-	-	-
Bond issuance	2,000,000	-	-	-
Note issuance	-	-	960,000	-
Principal retirement.	(425,049)	(229,968)	(1,153,078)	-
Interest and fiscal charges.	(30,174)	(19,437)	(39,476)	-
Debt issuance costs.	(363)	-	(16,290)	-
Net cash used in capital and related financing activities	<u>744,950</u>	<u>(529,266)</u>	<u>(256,073)</u>	<u>-</u>
Cash flows from investing activities:				
Interest received.	1,282	-	-	-
Proceeds from investment in joint venture	-	-	11,911	-
Net cash provided by investing activities.	<u>1,282</u>	<u>-</u>	<u>11,911</u>	<u>-</u>
Net change in cash and cash equivalents	1,504,318	(290,417)	520,328	62,039
Cash and cash equivalents at beginning of year	<u>2,482,514</u>	<u>1,746,614</u>	<u>4,448,072</u>	<u>516,994</u>
Cash and cash equivalents at end of year	<u>\$ 3,986,832</u>	<u>\$ 1,456,197</u>	<u>\$ 4,968,400</u>	<u>\$ 579,033</u>

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 10,975,913	\$ 836,944
126,543	-
(2,031,021)	-
(6,700,847)	-
(549,990)	-
-	(1,096,466)
<u>(27,580)</u>	<u>-</u>
1,793,018	(259,522)
<u>30,446</u>	<u>-</u>
<u>30,446</u>	<u>-</u>
(292,375)	-
5,821	-
(800,000)	-
2,000,000	-
960,000	-
(1,808,095)	-
(89,087)	-
<u>(16,653)</u>	<u>-</u>
<u>(40,389)</u>	<u>-</u>
1,282	-
<u>11,911</u>	<u>-</u>
<u>13,193</u>	<u>-</u>
1,796,268	(259,522)
9,194,194	731,127
<u>\$ 10,990,462</u>	<u>\$ 471,605</u>

--Continued

CITY OF HUBBARD, OHIO

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

Business-type Activities - Enterprise Funds

	<u>Sewer</u>	<u>Water</u>	<u>Electric</u>	<u>Nonmajor</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	\$ 358,109	\$ (31,519)	\$ 434,446	\$ 58,644
Adjustments:				
Depreciation	305,534	148,754	185,197	3,979
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Materials and supplies inventory	(1,608)	(646)	2,793	-
Accounts receivable.	8,830	46,273	11,503	(403)
Due from other governments	(4,125)	-	-	-
Prepayments.	17,274	3,040	(6,174)	-
Net pension asset.	(4,250)	(4,924)	(8,100)	-
Deferred outflows - pension	88,521	127,299	264,845	-
Deferred outflows - OPEB	(19,594)	(16,591)	(28,499)	-
Accounts payable	21,582	3,672	(4,479)	155
Accrued wages and benefits.	1,665	995	284	-
Due to other governments.	(1,430)	(602)	(1,469)	(336)
Compensated absences payable	3,504	14,490	68,948	-
Claims payable	-	-	-	-
Net pension liability	(127,724)	(182,630)	(433,002)	-
Net OPEB liability	24,018	15,105	(23,830)	-
Deferred inflows - pension	70,974	93,474	197,529	-
Deferred inflows - OPEB	16,806	22,659	74,052	-
Net cash provided by (used in) operating activities	<u>\$ 758,086</u>	<u>\$ 238,849</u>	<u>\$ 734,044</u>	<u>\$ 62,039</u>

Non-cash transactions:

At December 31, 2018, the water fund had \$8,722 in capital asset acquisitions on account (retainage payable).

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 819,680	\$ (296,972)
643,464	-
539	-
66,203	4,750
(4,125)	-
14,140	-
(17,274)	-
480,665	-
(64,684)	-
20,930	-
2,944	-
(3,837)	-
86,942	-
-	32,700
(743,356)	-
15,293	-
361,977	-
113,517	-
<u>\$ 1,793,018</u>	<u>\$ (259,522)</u>

CITY OF HUBBARD, OHIO

STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 DECEMBER 31, 2018

	Private-Purpose Trust	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 7,571	\$ 750
Receivables:		
Real and other taxes.	-	22,955
Accounts.	-	11
Due from other governments.	-	1,732
	7,571	25,448
Total assets	7,571	\$ 25,448
Liabilities:		
Due to other governments.	-	\$ 24,687
Deposits held and due to others	-	761
	-	25,448
Total liabilities.	-	\$ 25,448
Net position:		
Held in trust for other purposes.	7,571	
Total net position	\$ 7,571	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Private-Purpose Trust</u>
Net position at beginning of year	\$ 7,571
Net position at end of year	<u>\$ 7,571</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF HUBBARD, OHIO

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

NOTE 1 - DESCRIPTION OF THE CITY

The City of Hubbard, Ohio (the "City") was created in 1868. It is located in Trumbull County and is a politic and corporate body established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The City operates under a Council-Mayor form of government and provides the following services to its residents: public safety (police), Mayor's Court, highways and streets, public improvements, community development (planning and zoning), water, sewer, electric, parks and recreation and general administrative services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City's reporting entity has been defined in accordance with 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 an Amendment of GASB Statements No. 14 and No. 34". A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City, this includes police protection, parks and recreation, water and sewer service, street maintenance and repairs and general administrative services.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the City has no component units. The basic financial statements of the reporting entity include only those of the City (the primary government).

The following organizations are described due to their relationship to the City:

JOINTLY GOVERNED ORGANIZATIONS

Municipal Energy Services Agency (MESA) - The City has signed an Intergovernmental Joint Venture Agreement with MESA to access a pool of personnel experienced in the planning, management, engineering, construction, safety training and other technical aspects of the operation and maintenance of municipal electric and other utility systems; and to provide those services on call, as needed and as available for the benefit of the City. The City will incur no financial obligation to the jointly governed organization unless and until it avails itself of the services of the jointly governed organization.

CITY OF HUBBARD, OHIO

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

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

Hubbard Township-City of Hubbard Joint Economic Development District (JED District) - The City has entered into a contractual agreement with Hubbard Township to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, Trumbull County, Hubbard Township and the City. The JED District is administered by a five member Board of Directors consisting of a Trustee representative of Hubbard Township, a representative of the City, a representative of business owners within the JED District, a representative of persons working within the JED District, and an additional member selected by the previously mentioned members who shall serve as Board Chairman. The City and Hubbard Township are to make a minimum annual contribution of \$500 each to the JED District's operation reserve fund to provide for administrative costs and expenses of the Board of Directors. In 2018, the Board of Directors waived the \$500 annual contribution. The City has an ongoing financial responsibility to fund the JED District. Upon termination of the contractual agreement, any property, assets and obligations of the JED District shall be divided equally between the parties, except that any items of infrastructure constructed by or for anybody shall be retained by that party.

Eagle Joint Fire District (Fire District) - The Eagle Joint Fire District is a jointly governed organization pursuant to the Ohio Revised Code 505.371. The Fire District was formed in 2008 and consists of the City and Hubbard Township. The Fire District Board consists of a Trustee from the City, a Trustee from Hubbard Township and three residents of the Fire District. A new resident is appointed by the City in odd numbered years and by Hubbard Township in even numbered years. Revenues are generated from Fire District levies. During 2018, the City did not make any contributions to the Fire District.

JOINT VENTURE WITH EQUITY INTEREST

Ohio Municipal Electric Generation Agency Joint Ventures (OMEGA JV1-OMEGA JV5) - The City's electric enterprise fund participates in a joint venture agreement with twenty other municipal electric systems who have formed the Ohio Municipal Electric Generation Agency Joint Venture 1 (OMEGA JV1) for the purpose of providing electric power and energy to its participants on a cooperative basis. Title to these six diesel-powered generating units was transferred to the twenty-one municipal electric systems from American Municipal Power-Ohio, Incorporated (AMP-Ohio), a non-profit trade association and wholesale power supplier for most of Ohio's eighty-five municipal electric systems. Each member has a contract which provides for AMP-Ohio to purchase the right to each participant's share of power and energy that is made available through the OMEGA JV1 contract. Complete financial statements for the OMEGA JV1 may be obtained from AMP-Ohio or from the State Auditor's website at www.ohioauditor.gov.

The City is a Financing Participant with an ownership percentage of 2.07 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP. OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

CITY OF HUBBARD, OHIO

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

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

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2018, the City has met their debt coverage obligation.

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$61,849 at December 31, 2018. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

CITY OF HUBBARD, OHIO

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

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

The following is a summary of audited financial information for the OMEGA JV1 and the OMEGA JV5 as of the year ended December 31, 2018:

	<u>OMEGA JV1</u>	<u>OMEGA JV5</u>
Total assets and deferred outflows of resources	\$ -	\$ 113,377,212
Total liabilities and deferred inflows of resources	-	110,389,325
Net position	-	2,987,887
Total revenues	79,691	24,641,249
Total expenses	25,461	24,641,249
Distribution to participants	368,514	-
Change in net position	(314,284)	-

The City reports equity interest equal to their undivided ownership percentage of the joint ventures members' equity. The City's undivided ownership of the OMEGA JV5 is 2.07 percent. OMEGA JV1 discontinued operations during 2018 and distributed all residual equity to its members in proportion their respective ownership percentages. The City's ownership was 3.79 percent.

The City reports the equity interest of the joint venture on the statement of net position is \$61,849.

The following tables show the major participants and percentage of ownership for the OMEGA JV5:

<u>Participants</u>	<u>Percentage of Ownership</u>
Cuyahoga Falls	16.67
Bowling Green	15.73
Niles	10.63
Napoleon	7.35
Jackson	7.14
Hudson	5.69
Wadsworth	5.62
Oberlin	3.02
New Bremen	2.38
Bryan	2.19
Other	<u>23.58</u>
Total	<u><u>100.00</u></u>

B. Basis of Presentation - Fund Accounting

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

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

CITY OF HUBBARD, OHIO

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

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

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

Fund Financial Statements - During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund financial statements. Fiduciary funds are reported by type.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for services. Operating expenses for the enterprise funds include personnel and other expenses related to sewer, water and electric operations, and operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

C. Fund Accounting

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

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

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

Street construction and maintenance fund - This fund accounts for the portion of state gasoline tax and motor vehicle registration fees restricted for the maintenance of the streets within the City.

CITY OF HUBBARD, OHIO

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

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

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

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

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

Sewer fund - This fund accounts for the operations of providing sewage services to customers and to maintain the local sewer system of the City.

Water fund - This fund accounts for the operations of providing water services to its customers and to maintain the local water system of the City.

Electric fund - This fund accounts for the operations of providing electric services to customers and to maintain the local electric system of the City.

Other enterprise funds of the City are used to account for guarantee trust and stormwater operations.

Internal service fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on the operations of hospitalization and health insurance.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary funds are private-purpose trust funds, which account for the maintenance of the Mizner and Hultz family plots, and agency funds, which account for the Mayor's Court and Hubbard Union Cemetery.

D. Measurement Focus and Basis of Accounting

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

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

CITY OF HUBBARD, OHIO

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

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

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

The private-purpose trust funds are reported using the economic resources measurement focus. The agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On the accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 16 and 17 for deferred outflows of resources related the City's net pension liability and net OPEB liability, respectively.

CITY OF HUBBARD, OHIO

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

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

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

See Notes 16 and 17 for deferred inflows of resources related to the City's net pension liability and net OPEB liability, respectively. This deferred inflow of resources is only reported on the government-wide statement of net position.

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

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

F. Budgetary Data

The City follows these procedures in establishing the budgetary data reported in the basic financial statements:

Tax Budget - A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted; however, only the general fund and major special revenue funds are required to be reported in the basic financial statements.

Estimated Resources - The County Budget Commission (the "Commission") determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances at December 31. Further amendments may be made during the year if money from a new revenue source is received or if actual receipts exceed current estimates. The amounts reported on budgetary statements reflect the amounts in the original and final amended official certificate of estimated resources issued during the year.

CITY OF HUBBARD, OHIO

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

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

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

Budgeted Level of Expenditures - Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority of City Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by City Council. For all funds, City Council appropriations are made by fund, function (e.g. security of persons and property), department (e.g. police), and line item (e.g. salaries). This is known as the legal level of budgetary control. Any changes in appropriations outside of the legal level of budgetary control require the approval of City Council by an appropriation amendment ordinance.

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

G. Health Care

The Comprehensive Omnibus Budget Reconciliation Act (COBRA) of 1986 required the City to offer and provide terminated or retired employees continued participation in the City's employee healthcare benefits program, provided that the employees pay the rate established by the plan administrator. The City incurred no expenditures or revenues in providing these services. The participating former employees make premium payments directly to the City's insurance provider and the insurance provider is responsible for all claims.

H. Cash and Investments

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

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

CITY OF HUBBARD, OHIO

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

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

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During 2018, interest revenue credited to the general fund amounted to \$156,369, which includes \$140,994 assigned from other City funds.

The City has segregated bank accounts for monies held separate from the City's central bank account. The accounts are presented on the basic financial statements as "cash in segregated accounts" since they are not required to be deposited into the City treasury.

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

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

I. Materials and Supplies Inventory

On the government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed/expended when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of traffic signals, sidewalks, storm sewers, streets, and water, sewer, and electric lines. Infrastructure acquired prior to the implementation of GASB Statement No. 34 has been reported. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

CITY OF HUBBARD, OHIO

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Autos and trucks	8	8
Machinery, equipment, furniture and fixtures	5 - 20	5 - 20
Building improvements	15	15
Sewer and water treatment plants and buildings	N/A	20 - 40
Other buildings	40	40
Infrastructure	15 - 30	20 - 50
Land improvements	15 - 20	15 - 20

K. Compensated Absences

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

In conformity with GASB Statement No. 16, “Accounting for Compensated Absences”, vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future. For purposes of establishing a liability for severance on those employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service or any employee with at least twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

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

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

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

CITY OF HUBBARD, OHIO

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

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

L. Prepayments

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

On the fund financial statements, reported prepayments is equally offset by nonspendable fund balance in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

M. Accrued Liabilities and Long-Term Obligations

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

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

N. Interfund Balances

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as interfund balances. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances".

O. Interfund Activity

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

P. Fund Balance

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

CITY OF HUBBARD, OHIO

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

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

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

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

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

Q. Estimates

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

R. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of resources intended for technological improvements for the Mayor's Court.

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

CITY OF HUBBARD, OHIO

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

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2018.

T. Pensions/Other Postemployment Benefits (OPEB)

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

U. Fair Value Measurements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles/Restatement of Net Position

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

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

	Governmental Activities	Business-Type Activities	Enterprise Funds		
			Sewer Fund	Water Fund	Electric Fund
Net position as previously reported	\$ 3,424,543	\$ 18,811,812	\$ 7,531,454	\$ 5,243,996	\$ 5,306,512
Deferred outflows - payments subsequent to measurement date	8,292	13,891	2,932	3,702	7,257
Net OPEB liability	<u>(1,994,341)</u>	<u>(954,976)</u>	<u>(201,581)</u>	<u>(254,511)</u>	<u>(498,884)</u>
Restated net position at January 1, 2018	<u>\$ 1,438,494</u>	<u>\$ 17,870,727</u>	<u>\$ 7,332,805</u>	<u>\$ 4,993,187</u>	<u>\$ 4,814,885</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.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

CITY OF HUBBARD, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the City Auditor by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Auditor or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the City had \$1,050 in undeposited cash on hand, which is included on the financial statements of the City as part of "cash in segregated accounts".

B. Deposits with Financial Institutions

At December 31, 2018, the carrying amount of all City deposits was \$13,673,835 and the bank balance of all City deposits was \$13,761,126. Of the bank balance, \$13,261,126 was exposed to custodial risk as discussed below because those deposits were uninsured and uncollateralized and \$500,000 was covered by the FDIC.

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

CITY OF HUBBARD, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Investments

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

<u>Measurement/ Investment type</u>	<u>Measurement Amount</u>	<u>Investment Maturity 6 months or less</u>	<u>% of Total</u>
<i>Amortized cost:</i>			
STAR Ohio	\$ 5,244	\$ 5,244	100%

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City's investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the City Auditor or qualified trustee.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer.

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

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

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 13,673,835
Investments	5,244
Cash on hand	<u>1,050</u>
Total	<u>\$ 13,680,129</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 2,681,346
Business-type activities	10,990,462
Private-purpose trust funds	7,571
Agency funds	<u>750</u>
Total	<u>\$ 13,680,129</u>

CITY OF HUBBARD, OHIO

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

NOTE 5 - INTERFUND TRANSACTIONS

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

<u>Transfers from general fund to:</u>	<u>Amount</u>
Street construction and maintenance fund	\$ 263,115
Nonmajor governmental funds	<u>505,991</u>
Total governmental funds	<u>\$ 769,106</u>

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated for reporting on the statement of activities. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 6 - PROPERTY TAXES - (Continued)

The full tax rate for all City operations for the year ended December 31, 2018 was \$3.10 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2018 property tax receipts were based are as follows:

Real personal property	\$ 113,991,680
Public utility tangible personal property	<u>1,121,880</u>
Total assessed valuation	<u>\$ 115,113,560</u>

NOTE 7 - LOCAL INCOME TAX

The one and a half percent City income tax, which is not subject to renewal, is levied on substantially all income earned within the City. In addition, the residents of the City are required to pay City income tax on income they earn outside the City, however, full credit is allowed for all income taxes these residents pay to other municipalities. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Major employers are required to remit withholdings to the City monthly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the City. For governmental funds, income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2018. Income tax revenue for 2018 was \$2,064,952 in the general fund.

NOTE 8 - RECEIVABLES

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

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

CITY OF HUBBARD, OHIO

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

NOTE 9 - CAPITAL ASSETS

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

	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/18</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 597,871	\$ -	\$ -	\$ 597,871
Total capital assets, not being depreciated	<u>597,871</u>	<u>-</u>	<u>-</u>	<u>597,871</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	616,277	-	-	616,277
Buildings and improvements	2,368,351	-	-	2,368,351
Furniture and equipment	703,306	6,736	-	710,042
Vehicles	1,707,986	38,455	(84,575)	1,661,866
Infrastructure	6,473,332	288,788	-	6,762,120
Total capital assets, being depreciated	<u>11,869,252</u>	<u>333,979</u>	<u>(84,575)</u>	<u>12,118,656</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(462,923)	(30,924)	-	(493,847)
Buildings and improvements	(985,848)	(48,615)	-	(1,034,463)
Furniture and equipment	(664,263)	(12,683)	-	(676,946)
Vehicles	(1,355,269)	(60,035)	84,575	(1,330,729)
Infrastructure	(5,247,410)	(192,025)	-	(5,439,435)
Total accumulated depreciation	<u>(8,715,713)</u>	<u>(344,282)</u>	<u>84,575</u>	<u>(8,975,420)</u>
Total capital assets, being depreciated, net	<u>3,153,539</u>	<u>(10,303)</u>	<u>-</u>	<u>3,143,236</u>
Governmental activities capital assets, net	<u>\$ 3,751,410</u>	<u>\$ (10,303)</u>	<u>\$ -</u>	<u>\$ 3,741,107</u>

Depreciation expense was charged to governmental activities as follows:

Governmental activities:

General government	\$ 24,015
Security of persons and property	97,154
Transportation	221,975
Leisure time activity	<u>1,138</u>
Total depreciation expense - governmental activities	<u>\$ 344,282</u>

CITY OF HUBBARD, OHIO

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

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Balance</u> <u>12/31/17</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/18</u>
Business-type activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 180,423	\$ -	\$ -	\$ 180,423
Construction in progress	<u>-</u>	<u>220,618</u>	<u>-</u>	<u>220,618</u>
Total capital assets, not being depreciated	<u>180,423</u>	<u>220,618</u>	<u>-</u>	<u>401,041</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	320,582	-	-	320,582
Buildings and improvements	5,664,462	64,765	-	5,729,227
Furniture and equipment	6,888,141	15,714	-	6,903,855
Vehicles	1,099,734	-	(22,685)	1,077,049
Infrastructure	<u>17,434,476</u>	<u>-</u>	<u>-</u>	<u>17,434,476</u>
Total capital assets, being depreciated	<u>31,407,395</u>	<u>80,479</u>	<u>(22,685)</u>	<u>31,465,189</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(274,574)	(12,031)	-	(286,605)
Buildings and improvements	(3,056,602)	(133,404)	-	(3,190,006)
Furniture and equipment	(5,650,985)	(84,263)	-	(5,735,248)
Vehicles	(911,149)	(33,205)	22,685	(921,669)
Infrastructure	<u>(8,390,132)</u>	<u>(380,561)</u>	<u>-</u>	<u>(8,770,693)</u>
Total accumulated depreciation	<u>(18,283,442)</u>	<u>(643,464)</u>	<u>22,685</u>	<u>(18,904,221)</u>
Total capital assets, being depreciated, net	<u>13,123,953</u>	<u>(562,985)</u>	<u>-</u>	<u>12,560,968</u>
Business-type activities capital assets, net	<u>\$ 13,304,376</u>	<u>\$ (342,367)</u>	<u>\$ -</u>	<u>\$ 12,962,009</u>

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

Business-type activities:

Water	\$ 148,754
Sewer	305,534
Electric	185,197
Stormwater (a nonmajor enterprise fund)	<u>3,979</u>
Total depreciation expense - business-type activities	<u>\$ 643,464</u>

NOTE 10 - EMPLOYEE BENEFITS

Vacation and sick leave accumulated by governmental fund type employees have been recorded in the statement of net position to the extent the liability was due at year end. Vacation and sick leave earned by proprietary fund type employees is expensed when earned and has been recorded in the fund.

CITY OF HUBBARD, OHIO

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

NOTE 10 - EMPLOYEE BENEFITS - (Continued)

Upon termination of City service, a fully vested employee is entitled to a percentage of accumulated sick leave based on years of service. At December 31, 2018, vested benefits for vacation leave for governmental fund type employees totaled \$99,025 and vested benefits for sick leave totaled \$183,715. For proprietary fund type employees, vested benefits for vacation leave totaled \$102,090 and vested benefits for sick leave totaled \$123,427 at December 31, 2018. Included in the vested benefits for sick leave figures is a liability to accrue and record termination (severance) payments for employees expected to become eligible to retire in the future in accordance with GASB Statement No. 16.

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the City entered into leases to acquire vehicles. The leases meet the criteria of a capital lease as defined by GASB Statement No. 62, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

For business-type activities, a vehicle has been capitalized in the amount of \$193,606. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the financial statements. Accumulated depreciation on the vehicle at December 31, 2018 was \$60,503, leaving a book value of \$133,104.

For governmental activities, a vehicle has been capitalized in the amount of \$121,769. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the financial statements. Accumulated depreciation on the vehicle at December 31, 2018 was \$22,832, leaving a book value of \$98,937.

Lease payments in 2018 consisted of principal retirement of \$37,078 paid from the electric fund and \$23,599 paid from the street construction and maintenance fund. The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 2018.

Fiscal Year Ending <u>December 31</u>	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
2019	\$ 42,009	\$ -
2020	42,010	25,865
2021	-	25,865
	<hr/>	<hr/>
Total future minimum lease payments	84,019	51,730
Less: amount representing interest	<u>(5,068)</u>	<u>(2,313)</u>
Present value of future minimum lease payments	<u>\$ 78,951</u>	<u>\$ 49,417</u>

NOTE 12 - NOTES PAYABLE

Changes in the City's notes payable activity for the year ended December 31, 2018, were as follows:

	Balance <u>12/31/2017</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>12/31/2018</u>
<u>Business-type activities:</u>				
<u>Bond anticipation notes:</u>				
Electric System Improvements - 2.75%	\$ -	\$ 175,000	\$ -	\$ 175,000

On March 8, 2018 the City issued bond anticipation notes to finance its electric system improvements line of credit liability. The notes are reported as a liability in the electric fund and mature on March 7, 2019.

CITY OF HUBBARD, OHIO

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

NOTE 13 - LONG-TERM OBLIGATIONS

A. The City’s long-term obligations at December 31, 2018 were as follows. The long-term obligations at December 31, 2017 have been restated as described in Note 3.

	Interest	Restated			Balance	Amounts
	Rate	Balance	Additions	Reductions	12/31/18	Due in
<u>Governmental activities:</u>		12/31/17				One Year
Refunding bonds	0.60-2.40%	\$ 1,090,000	\$ -	\$ (355,000)	\$ 735,000	\$ 365,000
Capital lease obligation	3.10%	73,016	-	(23,599)	49,417	-
Compensated absences		220,629	156,346	(94,235)	282,740	99,025
Net pension liability		2,974,755	-	(418,136)	2,556,619	-
Net OPEB liability		1,994,341	256,396	-	2,250,737	-
Total long-term obligations, governmental activities		<u>\$ 6,352,741</u>	<u>\$ 412,742</u>	<u>\$ (890,970)</u>	<u>\$ 5,874,513</u>	<u>\$ 464,025</u>
<u>Business-type activities:</u>						
<u>OPWC Loans:</u>						
Sewer Issue II Lift Station	0.00%	\$ 17,619	\$ -	\$ (11,746)	5,873	\$ 5,873
Bar Screen Replacement	0.00%	192,903	-	(13,303)	179,600	13,304
Waterline Looping	0.00%	9,736	-	(6,490)	3,246	3,246
Waterline Replacement	0.00%	34,795	-	(7,732)	27,063	7,732
N. Main Waterline	0.00%	164,971	-	(29,995)	134,976	29,995
Total OPWC loans		<u>420,024</u>	<u>-</u>	<u>(69,266)</u>	<u>350,758</u>	<u>60,150</u>
<u>OWDA Loan:</u>						
Transmission Waterlines	4.00%	<u>485,899</u>	<u>-</u>	<u>(185,751)</u>	<u>300,148</u>	<u>197,974</u>
<u>Other Long-term Obligations:</u>						
Compensated absences		138,575	150,972	(64,030)	225,517	102,090
Net pension liability		2,101,824	-	(743,356)	1,358,468	-
Net OPEB liability		954,976	15,293	-	970,269	-
Capital lease obligation	4.25%	116,029	-	(37,078)	78,951	38,654
Electric system						
improvements line of credit	2.75%	1,116,000	-	(1,116,000)	-	-
Bond anticipation notes	2.75%	-	785,000	-	785,000	-
Sewer revenue bonds, 2015	2.48%	1,200,000	-	(1,200,000)	-	-
Sewer revenue bonds, 2018	3.45%	-	2,000,000	-	2,000,000	400,000
Stranded cost liability		85,365	-	(31,066)	54,299	-
Total other long-term obligations		<u>5,712,769</u>	<u>2,951,265</u>	<u>(3,191,530)</u>	<u>5,472,504</u>	<u>540,744</u>
Total long-term obligations, business-type activities		<u>\$ 6,618,692</u>	<u>\$ 2,951,265</u>	<u>\$ (3,446,547)</u>	<u>\$ 6,123,410</u>	<u>\$ 798,868</u>

Compensated absences will be paid from the fund from which the employee is paid, which is primarily the general fund and the street construction, maintenance, and repair fund for governmental activities and the electric, sewer and water funds for business-type activities. See Note 11 for detail regarding the capital lease obligations. See Note 16 and Note 17 for detail regarding the net pension liability and net OPEB liability, respectively.

CITY OF HUBBARD, OHIO

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

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

- B.** The City has entered into five debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund a lift station replacement, wastewater bar screen replacement, waterline looping project and two waterline replacements. The amounts due to the OPWC are payable solely from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2018, the City has outstanding borrowings of \$165,285 and \$185,473 in the water and sewer funds, respectively. The loan agreements require semi-annual payments based on the actual amount loaned. The OPWC loans are interest free.

The City has pledged future water revenues to repay an Ohio Water Development Authority (OWDA) loan related to construction projects. The loan is payable solely from water fund revenues and is payable through 2020. Annual principal and interest payments on the loan are expected to require 12.78 percent of total revenues. The total principal and interest remaining to be paid on the loan is \$316,206. Principal and interest paid for the current year was \$205,187, with net customer revenues of \$117,235 and total revenues of \$1,606,078.

On February 3, 2015, the City was placed on AMP's line of credit for \$1,340,000 with an interest rate equal to AMP's line of credit interest plus 0.25%, or 2.17728% at December 31, 2017 in order to retire bond anticipation notes issued in 2014. On March 8, 2018 the City issued bond anticipation notes of \$960,000 in order to refinance the line of credit obligation. \$175,000 is reported as a current liability (see Note 12) and \$785,000 is reported as a long-term liability since it has been refinanced and replaced with debt obligations extending beyond one year past December 31, 2018 (see Note 21 for subsequent events). The notes carry an interest rate of 2.75% and mature on March 7, 2019.

On August 16, 2012, the City issued \$2,890,000 in general obligation capital improvement refunding bonds to refund outstanding general obligation capital improvement bonds. The refunded debt was retired during 2012 and, accordingly, has been removed from the statement of net position. The refunding bonds bear an annual interest rate ranging from 0.60% - 2.40% and mature in 2020. The general obligation refunding bonds are secured by the full faith and credit of the City. The general obligation refunding bonds are repaid from the 2005 general obligation bond retirement fund (a nonmajor governmental fund).

On May 1, 2015, the City issued \$2,000,000 in Sewer System Mortgage Revenue Bonds, Series 2015 for the purpose of funding the Municipal Wastewater Dewatering Equipment Replacement Project. On December 6, 2018, the City issued \$2,000,000 in Sewer System Revenue Bonds, Series 2018 in order to currently refund the \$800,000 outstanding principal on the Series 2015 bonds, and to provide additional funding for sewer system improvements. The refunded debt has been defeased and, accordingly, has been removed from the statement of net position. The Series 2018 bonds carry an interest rate of 3.45% and mature on December 1, 2023.

In 2011, the City was notified it would be held liable for stranded costs associated with the abandonment of the American Municipal Power Generating Station Project ("AMPGS Project"). The City has recorded a long-term obligation for the stranded cost liability in the electric fund (See Note 14 for more detail on the AMPGS Project).

CITY OF HUBBARD, OHIO

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

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The following is the summary of the City’s future annual debt service and interest requirements for long-term obligations:

Year Ending December 31,	General Obligation Capital Improvement Refunding Bonds			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 365,000	\$ 16,910	\$ 381,910	\$ 60,150	\$ -	\$ 60,150
2020	370,000	8,880	378,880	51,030	-	51,030
2021	-	-	-	51,032	-	51,032
2022	-	-	-	47,163	-	47,163
2023	-	-	-	28,302	-	28,302
2024 - 2028	-	-	-	66,518	-	66,518
2029 - 2032	-	-	-	46,563	-	46,563
Total	<u>\$ 735,000</u>	<u>\$ 25,790</u>	<u>\$ 760,790</u>	<u>\$ 350,758</u>	<u>\$ -</u>	<u>\$ 350,758</u>

Year Ending December 31,	OWDA Loan			Sewer Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 197,974	\$ 12,006	\$ 209,980	\$ 400,000	\$ 68,055	\$ 468,055
2020	102,174	4,052	106,226	400,000	55,200	455,200
2021	-	-	-	400,000	41,400	441,400
2022	-	-	-	400,000	27,600	427,600
2023	-	-	-	400,000	13,800	413,800
Total	<u>\$ 300,148</u>	<u>\$ 16,058</u>	<u>\$ 316,206</u>	<u>\$ 2,000,000</u>	<u>\$ 206,055</u>	<u>\$ 2,206,055</u>

- C. The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of the property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City’s legal debt margin excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2018, the City’s total debt margin was \$11,575,164, including available funds of \$223,240, and the unvoted debt margin was \$6,331,246.

NOTE 14 - AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City’s share was 6,400 kilowatts of a total 771,281 kilowatts, giving the City a 0.83 percent share. The AMPGS Project required participants to sign “take or pay” contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project.

CITY OF HUBBARD, OHIO

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

NOTE 14 - AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT - (Continued)

In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability.

The City's estimated share at March 31, 2014 of the impaired costs is \$1,104,718. The City received a credit of \$473,371 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$289,439 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU). The City also made payments of \$124,709 leaving a net impaired cost estimate of \$217,199. Because payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City's liability. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the settlement among the participants and AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014 the City has made payments of \$185,291 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the City's allocation of additional costs incurred by the project is \$13,293 and interest expense incurred on AMP's line-of-credit of \$9,098, resulting in a net impaired cost estimate at December 31, 2018 of \$54,299. The City does have a potential PHFU liability of \$191,037 resulting in a net total potential liability of \$245,336, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the City's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include negative items such as property taxes as well as positive revenue from leases or sale of all or a portion of the Meigs County site property.

The City intends to recover the costs associated with the AMPGS Project liability and repay AMP over the next several years through a power cost adjustment. Thus, this incurred cost has been capitalized and reported as a regulatory asset in the amount of \$817,109 as of December 31, 2018, as allowed by GASB Codification Re10.

NOTE 15 - RISK MANAGEMENT

A. Comprehensive

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. During 2018, the City was insured through the Argonaut Insurance Group for all property and equipment, general liability, wrongful acts, law enforcement, public official, employment practices, automobile, employee dishonesty, money and securities, inland marine, EDP and umbrella liability. The insurance plan was purchased through Guy G. Latessa Insurance Agency.

CITY OF HUBBARD, OHIO

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

NOTE 15 - RISK MANAGEMENT - (Continued)

The City has transferred risk of loss to the insurance carrier to the extent of the limits below.

<u>Type of Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Property and Equipment Breakdown	\$36,870,000	\$ 5,000
General Liability:		
Per occurrence	1,000,000	0
Aggregate	3,000,000	0
Law Enforcement Liability/Wrongful Acts:		
Per occurrence	1,000,000	10,000
Aggregate	2,000,000	0
Public Official Liability/Wrongful Acts:		
Per occurrence	1,000,000	10,000
Aggregate	2,000,000	0
Employment Practices Liability	1,000,000	10,000
Automobile:		
Liability	1,000,000	0
Comprehensive	1,000,000	500
Collision	1,000,000	500

<u>Type of Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Employee Dishonesty	\$ 250,000	\$ 500
Money and Securities	5,000	0
Inland Marine - scheduled	868,000	500
EDP	399,000	0
Umbrella Liability	10,000,000	10,000
Inland Marine - hired/leased	200,000	2,500
Cyber Liability	1,000,000	25,000

B. Employee Health Insurance

The City maintains an Employees Health Self-Insurance Fund, which has been classified as an internal service fund in the accompanying basic financial statements. The purpose of this fund is to pay the cost of medical benefits provided to City employees and their covered dependents for which the City is self-insured. The City is self-insured for the first \$45,000 per participant; annual claims above such amounts are paid for by specific stop-loss insurance that the City maintains.

The City had one occurrence in a prior year in which settled claims exceeded the self-insurance amount. The liability for unpaid claims of \$106,800 reported in the internal service fund at December 31, 2018, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The entire claims liability is expected to be paid within one year.

CITY OF HUBBARD, OHIO

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

NOTE 15 - RISK MANAGEMENT - (Continued)

Changes in the claims liability amount for the last two years are:

	<u>Balance at Beginning of Year</u>	<u>Current Claims</u>	<u>Claims Payment</u>	<u>Balance at End of Year</u>
2018	\$ 74,100	\$ 1,129,166	\$ (1,096,466)	\$ 106,800
2017	73,500	773,092	(772,492)	74,100

C. Workers' Compensation

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 of \$100 of payroll plus administrative costs. The rate is determined based on accident history of the City. The City also pays unemployment claims to the State of Ohio as incurred.

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTE 16 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 16 - 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 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 2.25%.

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

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

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	State and Local	Public Safety	Law Enforcement
2018 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	*	**
2018 Actual Contribution Rates			
Employer:			
Pension	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits	0.0 %	0.0 %	0.0 %
Total Employer	<u>14.0 %</u>	<u>18.1 %</u>	<u>18.1 %</u>
Employee	<u>10.0 %</u>	<u>12.0 %</u>	<u>13.0 %</u>

- * This rate is determined by OPERS' Board and has no maximum rate established by ORC.
- ** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$250,499 for 2018. Of this amount, \$29,754 is reported as due to other governments.

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

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

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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.

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$158,298 for 2018. Of this amount, \$19,207 is reported as due to other governments.

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

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

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>OPERS - Traditional</u>	<u>OPERS - Combined</u>	<u>OPERS - Member- Directed</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.01276200%	0.02683000%	0.01034700%	0.03439500%	
Proportion of the net pension liability/asset current measurement date	<u>0.01199800%</u>	<u>0.02839200%</u>	<u>0.00950700%</u>	<u>0.03312200%</u>	
Change in proportionate share	<u>-0.00076400%</u>	<u>0.00156200%</u>	<u>-0.00084000%</u>	<u>-0.00127300%</u>	
Proportionate share of the net pension liability	\$ 1,882,254	\$ -	\$ -	\$ 2,032,833	\$ 3,915,087
Proportionate share of the net pension asset	-	(38,651)	(332)	-	(38,983)
Pension expense	352,158	6,240	(108)	239,468	597,758

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 - Traditional</u>	<u>OPERS - Combined</u>	<u>OPERS - Member- Directed</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources					
Differences between expected and actual experience	\$ 1,922	\$ -	\$ 647	\$ 30,851	\$ 33,420
Changes of assumptions	224,941	3,377	40	88,582	316,940
Changes in employer's proportionate percentage/difference between employer contributions	11,689	-	-	50,023	61,712
City contributions subsequent to the measurement date	228,656	16,203	5,639	158,298	408,796
Total deferred outflows of resources	<u>\$ 467,208</u>	<u>\$ 19,580</u>	<u>\$ 6,326</u>	<u>\$ 327,754</u>	<u>\$ 820,868</u>

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred inflows of resources					
Differences between expected and actual experience	\$ 37,093	\$ 11,513	\$ -	\$ 3,677	\$ 52,283
Net difference between projected and actual earnings on pension plan investments	404,095	6,099	93	70,323	480,610
Changes in employer's proportionate percentage/ difference between employer contributions	122,835	-	-	93,103	215,938
Total deferred inflows of resources	<u>\$ 564,023</u>	<u>\$ 17,612</u>	<u>\$ 93</u>	<u>\$ 167,103</u>	<u>\$ 748,831</u>

\$408,796 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2019.

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

	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Year Ending December 31:					
2019	\$ 98,997	\$ (1,939)	\$ 73	\$ 49,399	\$ 146,530
2020	(80,477)	(2,105)	71	30,909	(51,602)
2021	(177,941)	(3,470)	58	(42,998)	(224,351)
2022	(166,050)	(3,328)	61	(41,119)	(210,436)
2023	-	(1,187)	89	4,975	3,877
Thereafter	-	(2,206)	242	1,187	(777)
Total	<u>\$ (325,471)</u>	<u>\$ (14,235)</u>	<u>\$ 594</u>	<u>\$ 2,353</u>	<u>\$ (336,759)</u>

Actuarial Assumptions - OPERS

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

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 3,342,403	\$ 1,882,254	\$ 664,929
Combined Plan	(21,010)	(38,651)	(50,822)
Member-Directed Plan	(190)	(332)	(475)

Actuarial Assumptions – OP&F

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

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

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

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

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 2,818,059	\$ 2,032,833	\$ 1,392,435

CITY OF HUBBARD, OHIO

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

NOTE 17 - 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.

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.

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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 \$2,256 for 2018. Of this amount, \$268 is reported as due to other governments.

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

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

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

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

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

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

Beginning January 1, 2019, OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was \$4,166 for 2018. Of this amount, \$505 is reported as due to other governments.

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net OPEB liability prior measurement date	0.01303600%	0.03439500%	
Proportion of the net OPEB liability current measurement date	<u>0.01238000%</u>	<u>0.03312200%</u>	
Change in proportionate share	<u>-0.00065600%</u>	<u>-0.00127300%</u>	
Proportionate share of the net OPEB liability	\$ 1,344,377	\$ 1,876,629	\$ 3,221,006
OPEB expense	\$ 93,123	\$ 179,431	\$ 272,554

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 1,047	\$ -	\$ 1,047
Changes of assumptions	97,885	183,121	281,006
Changes in employer's proportionate percentage/ difference between employer contributions	5,545	-	5,545
City contributions subsequent to the measurement date	2,256	4,166	6,422
Total deferred outflows of resources	<u>\$ 106,733</u>	<u>\$ 187,287</u>	<u>\$ 294,020</u>

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ -	\$ 9,465	\$ 9,465
Net difference between projected and actual earnings on pension plan investments	100,147	12,353	112,500
Changes in employer's proportionate percentage/difference between employer contributions	50,586	93,729	144,315
Total deferred inflows of resources	<u>\$ 150,733</u>	<u>\$ 115,547</u>	<u>\$ 266,280</u>

\$6,422 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2019.

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2019	\$ 728	\$ 1,450	\$ 2,178
2020	728	1,450	2,178
2021	(22,676)	1,450	(21,226)
2022	(25,036)	14,181	(10,855)
2023	-	17,268	17,268
Thereafter	-	31,775	31,775
Total	<u>\$ (46,256)</u>	<u>\$ 67,574</u>	<u>\$ 21,318</u>

Actuarial Assumptions - OPERS

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

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

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.

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

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	\$ 1,786,063	\$ 1,344,377	\$ 987,057

CITY OF HUBBARD, OHIO

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

NOTE 17 - 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 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 Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 1,286,282	\$ 1,344,377	\$ 1,404,387

Actuarial Assumptions – OP&F

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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.

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

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

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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.

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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	\$ 2,345,830	\$ 1,876,629	\$ 1,515,630

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 Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 1,457,812	\$ 1,876,629	\$ 2,441,092

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

CITY OF HUBBARD, OHIO

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

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

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

	<u>General fund</u>	Street Construction and <u>Maintenance fund</u>
Budget basis	\$ 324,896	\$ (19,121)
Net adjustment for revenue accruals	(75,808)	(71)
Net adjustment for expenditure accruals	1,258,660	(4,373)
Net adjustment for other sources/uses	(1,254,856)	-
Funds budgeted elsewhere	<u>(117)</u>	<u>-</u>
GAAP basis	<u>\$ 252,775</u>	<u>\$ (23,565)</u>

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the income tax fund and the unclaimed monies fund.

NOTE 19 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2018.

B. Litigation

The City is not currently a party to any legal proceedings that would have a materially adverse effect on the financial statements at December 31, 2018.

CITY OF HUBBARD, OHIO

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

NOTE 20 - FUND BALANCE

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

Fund balance	General	Street Construction and Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepayments	\$ 21,369	\$ 16,157	\$ 52	\$ 37,578
Materials and supplies inventory	7,822	28,182	-	36,004
Unclaimed monies	6,603	-	-	6,603
Perpetual care	-	-	840	840
Total nonspendable	<u>35,794</u>	<u>44,339</u>	<u>892</u>	<u>81,025</u>
Restricted:				
Street construction and maintenance	-	354,569	-	354,569
State highway	-	-	21,548	21,548
Law enforcement	-	-	49,044	49,044
Maple Grove Cemetery	-	-	2,459	2,459
Police pension	-	-	15,384	15,384
Perpetual care	-	-	881	881
Total restricted	<u>-</u>	<u>354,569</u>	<u>89,316</u>	<u>443,885</u>
Committed:				
Law enforcement	-	-	6,742	6,742
Recreation	-	-	34,239	34,239
Other purposes	-	-	25,796	25,796
Total committed	<u>-</u>	<u>-</u>	<u>66,777</u>	<u>66,777</u>
Assigned:				
Debt service	-	-	223,240	223,240
Capital projects	-	-	134,049	134,049
Subsequent year's appropriations	248,524	-	-	248,524
Total assigned	<u>248,524</u>	<u>-</u>	<u>357,289</u>	<u>605,813</u>
Unassigned	<u>1,309,610</u>	<u>-</u>	<u>-</u>	<u>1,309,610</u>
Total fund balances	<u>\$ 1,593,928</u>	<u>\$ 398,908</u>	<u>\$ 514,274</u>	<u>\$ 2,507,110</u>

NOTE 21 - SUBSEQUENT EVENTS

On March 7, 2019, the City issued bond anticipation notes in the amount of \$785,000. The proceeds were used to retire the 2018 electric system improvements bond anticipation notes that matured on March 7, 2019. The notes bear an interest rate of 3% and mature on March 5, 2020.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<i>Traditional Plan:</i>					
City's proportion of the net pension liability	0.011998%	0.012762%	0.013435%	0.013078%	0.013078%
City's proportionate share of the net pension liability	\$ 1,882,254	\$ 2,898,033	\$ 2,327,111	\$ 1,577,352	\$ 1,541,726
City's covered payroll	\$ 1,590,746	\$ 1,515,550	\$ 1,879,283	\$ 1,584,983	\$ 1,624,262
City's proportionate share of the net pension liability as a percentage of its covered payroll	118.33%	191.22%	123.83%	99.52%	94.92%
Plan fiduciary net position as a percentage of the total pension liability	84.66%	77.25%	81.08%	86.45%	86.36%
<i>Combined Plan:</i>					
City's proportion of the net pension asset	0.028392%	0.026830%	0.019680%	0.014421%	0.014421%
City's proportionate share of the net pension asset	\$ 38,651	\$ 14,933	\$ 9,577	\$ 5,553	\$ 1,513
City's covered payroll	\$ 116,277	\$ 104,433	\$ 50,042	\$ 52,717	\$ 52,292
City's proportionate share of the net pension asset as a percentage of its covered payroll	33.24%	14.30%	19.14%	10.53%	2.89%
Plan fiduciary net position as a percentage of the total pension asset	137.28%	116.55%	116.90%	114.83%	104.56%
<i>Member Directed Plan:</i>					
City's proportion of the net pension asset	0.009507%	0.010347%	0.010521%	n/a	n/a
City's proportionate share of the net pension asset	\$ 332	\$ 43	\$ 40	n/a	n/a
City's covered payroll	\$ 52,110	\$ 53,716	\$ 58,592	n/a	n/a
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.64%	0.08%	0.07%	n/a	n/a
Plan fiduciary net position as a percentage of the total pension asset	124.45%	103.40%	103.91%	n/a	n/a

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FIVE YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.03312200%	0.03439500%	0.03403400%	0.03269990%	0.03269990%
City's proportionate share of the net pension liability	\$ 2,032,833	\$ 2,178,546	\$ 2,189,406	\$ 1,693,991	\$ 1,592,588
City's covered payroll	\$ 605,900	\$ 731,268	\$ 876,253	\$ 767,395	\$ 688,262
City's proportionate share of the net pension liability as a percentage of its covered payroll	335.51%	297.91%	249.86%	220.75%	231.39%
Plan fiduciary net position as a percentage of the total pension liability	70.91%	68.36%	66.77%	72.20%	73.00%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 228,656	\$ 206,797	\$ 181,866	\$ 225,514
Contributions in relation to the contractually required contribution	<u>(228,656)</u>	<u>(206,797)</u>	<u>(181,866)</u>	<u>(225,514)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,633,257	\$ 1,590,746	\$ 1,515,550	\$ 1,879,283
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 16,203	\$ 15,116	\$ 12,532	\$ 6,005
Contributions in relation to the contractually required contribution	<u>(16,203)</u>	<u>(15,116)</u>	<u>(12,532)</u>	<u>(6,005)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 115,736	\$ 116,277	\$ 104,433	\$ 50,042
Contributions as a percentage of covered payroll	14.00%	13.00%	12.00%	12.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 5,639	\$ 5,211	\$ 5,103	\$ 7,031
Contributions in relation to the contractually required contribution	<u>(5,639)</u>	<u>(5,211)</u>	<u>(5,103)</u>	<u>(7,031)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 56,390	\$ 52,110	\$ 42,525	\$ 58,592
Contributions as a percentage of covered payroll	10.00%	10.00%	12.00%	12.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 190,198	\$ 211,154	\$ 173,157	\$ 186,715	\$ 159,271	\$ 154,324
<u>(190,198)</u>	<u>(211,154)</u>	<u>(173,157)</u>	<u>(186,715)</u>	<u>(159,271)</u>	<u>(154,324)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,584,983	\$ 1,624,262	\$ 1,731,570	\$ 1,867,150	\$ 1,785,549	\$ 1,898,204
12.00%	13.00%	10.00%	10.00%	8.92%	8.13%
\$ 6,326	\$ 6,798	\$ 6,755	\$ 7,292	\$ 9,272	
<u>(6,326)</u>	<u>(6,798)</u>	<u>(6,755)</u>	<u>(7,292)</u>	<u>(9,272)</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 52,717	\$ 52,292	\$ 84,969	\$ 91,723	\$ 95,686	
12.00%	13.00%	7.95%	7.95%	9.69%	

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Police:</i>				
Contractually required contribution	\$ 158,298	\$ 115,121	\$ 138,941	\$ 166,488
Contributions in relation to the contractually required contribution	<u>(158,298)</u>	<u>(115,121)</u>	<u>(138,941)</u>	<u>(166,488)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 833,147	\$ 605,900	\$ 731,268	\$ 876,253
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 145,805	\$ 109,296	\$ 88,047	\$ 101,196	\$ 101,517	\$ 98,712
<u>(145,805)</u>	<u>(109,296)</u>	<u>(88,047)</u>	<u>(101,196)</u>	<u>(101,517)</u>	<u>(98,712)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 767,395	\$ 688,118	\$ 690,565	\$ 793,694	\$ 796,212	\$ 774,212
19.00%	15.88%	12.75%	12.75%	12.75%	12.75%

**CITY OF HUBBARD, OHIO
ANY COUNTY, OHIO**

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	2018	2017
City's proportion of the net OPEB liability	0.012380%	0.013036%
City's proportionate share of the net OPEB liability	\$ 1,344,377	\$ 1,316,664
City's covered payroll	\$ 1,759,133	\$ 1,673,699
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	76.42%	78.67%
Plan fiduciary net position as a percentage of the total OPEB liability	54.14%	54.05%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TWO YEARS

	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.03312200%	0.03439500%
City's proportionate share of the net OPEB liability	\$ 1,876,629	\$ 1,632,653
City's covered payroll	\$ 605,900	\$ 731,268
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	309.73%	223.26%
Plan fiduciary net position as a percentage of the total OPEB liability	14.13%	15.96%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,256	\$ 19,154	\$ 34,817	\$ 38,587
Contributions in relation to the contractually required contribution	<u>(2,256)</u>	<u>(19,154)</u>	<u>(34,817)</u>	<u>(38,587)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,805,383	\$ 1,759,133	\$ 1,662,508	\$ 1,987,917
Contributions as a percentage of covered payroll	0.12%	1.09%	2.09%	1.94%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 33,077	\$ 16,758	\$ 74,398	\$ 80,229	\$ 94,928	\$ 111,164
<u>(33,077)</u>	<u>(16,758)</u>	<u>(74,398)</u>	<u>(80,229)</u>	<u>(94,928)</u>	<u>(111,164)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,637,700	\$ 1,676,554	\$ 1,816,539	\$ 1,958,873	\$ 1,881,235	\$ 1,898,204
2.02%	1.00%	4.10%	4.10%	5.05%	5.86%

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Police:</i>				
Contractually required contribution	\$ 4,166	\$ 3,029	\$ 3,656	\$ 4,500
Contributions in relation to the contractually required contribution	<u>(4,166)</u>	<u>(3,029)</u>	<u>(3,656)</u>	<u>(4,500)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 833,147	\$ 605,900	\$ 731,268	\$ 876,253
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
\$ 3,330	\$ 24,557	\$ 46,613	\$ 53,574	\$ 53,744	\$ 52,260
<u>(3,330)</u>	<u>(24,557)</u>	<u>(46,613)</u>	<u>(53,574)</u>	<u>(53,744)</u>	<u>(52,260)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 767,395	\$ 688,118	\$ 690,565	\$ 793,694	\$ 796,212	\$ 774,212
0.50%	3.62%	6.75%	6.75%	6.75%	6.75%

CITY OF HUBBARD, OHIO

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

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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

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

OHIO AUDITOR OF STATE KEITH FABER



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

City of Hubbard
Trumbull County
PO Box 307
220 West Liberty St.
Hubbard, Ohio 44425

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hubbard, Trumbull County, (the City) 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 August 30, 2019, wherein we noted the City adopted Governmental Accounting Standards Board Statement 75.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State

Columbus, Ohio

August 30, 2019

OHIO AUDITOR OF STATE KEITH FABER



CITY OF HUBBARD

TRUMBULL 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
OCTOBER 1, 2019**