CITY OF TORONTO
JEFFERSON COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF TORONTO
JEFFERSON COUNTY
DECEMBER 31, 2018

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INDEPENDENT AUDITOR'S REPORT

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

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, Ohio (the City), as of and for the year ended December 31, 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.

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

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

2018	Governmental Activities	Business Type Activities	Water Fund	Sewer Fund	Refuse Fund	Total Capital Assets
Reported Capital Assets	$5,147,751	$18,036,099	$12,508,432	$5,434,846	$92,821	$23,183,850
Percent of Total Assets	56%	79%	85%	77%	23%	73%

The City has not maintained a capital asset listing to support the accuracy and completeness of reported capital assets, therefore, we are unable to rely on the beginning balances. The City does not have an accounting system in place to identify capital asset purchases, deletions, and depreciation expense and the City does not maintain an identification system for capitalized items. The amount by which this would affect the capital assets, net position and expenses in the Governmental Activities, Business Type Activities, Water Fund, Sewer Fund, and Refuse Fund cannot reasonably be determined. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

Qualified Opinions

In our opinion, except for the matters described in the *Basis for Qualified Opinions on Governmental Activities, Business Type Activities, and Proprietary Funds Water, Sewer and Refuse* paragraphs above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the business type activities, water fund, sewer fund, and refuse fund of the City of Toronto, Jefferson County, Ohio, as of December 31, 2018, and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, CHIP Fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, Ohio, as of December 31, 2018, and the respective changes in financial position thereof and the budgetary comparisons for the General and CHIP 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 2 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 October 11, 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

Keith Faber
Auditor of State

Columbus, Ohio

October 11, 2019

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- In total, net position decreased $18,357, which represents less than a 1 percent increase from 2017. Net position of governmental activities decreased $415,582. Net position of business-type activities increased $397,225.

- Total capital assets increased $871,048 during 2018. Capital assets of governmental activities increased $221,246 and capital assets of business-type activities increased $649,802.

- Outstanding debt decreased from $11,052,448 to $10,626,470.

- The City implemented GASB 75, which reduced beginning net position as previously reported by $2,422,232 and $568,895 for governmental and business-type activities, respectively.

Using this Annual Financial Report

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

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2018 and how they affected the operations of the City as a whole.

Reporting the City of Toronto as a Whole

Statement of Net Position and the Statement of Activities

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

A question typically asked about the City's finances is "How did we do financially during 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets and deferred outflows of resources* and *liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

- Business-Type Activities - These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water, sewer and refuse major funds are reported as business activities.

Reporting the City of Toronto's Most Significant Funds

Fund Financial Statements

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

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

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

The City of Toronto as a Whole

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2018 compared to 2017:

Table 1
Net Position

	Governmental Activities			Business-Type Activities		
	2018	Restated 2017	Change	2018	Restated 2017	Change
Assets						
Current and Other Assets	$ 3,938,691	$ 4,283,795	$ (345,104)	$ 4,659,738	$ 5,005,900	$ (346,162)
Capital Assets	5,147,751	4,926,505	221,246	18,036,099	17,386,297	649,802
Total Assets	9,086,442	9,210,300	(123,858)	22,695,837	22,392,197	303,640
Deferred Outflows of Resources						
Pension & OPEB	890,175	805,705	84,470	281,241	569,496	(288,255)
Liabilities						
Current and Other Liabilities	101,207	64,307	36,900	200,372	137,909	62,463
Long-Term Liabilities:						
Due within One Year	154,020	173,654	(19,634)	1,081,000	915,017	165,983
Due in More Than One Year:						
Net Pension Liability	3,293,609	3,552,740	(259,131)	847,269	1,271,230	(423,961)
Net OPEB Liability	2,924,131	2,431,759	492,372	600,114	576,186	23,928
Other Amounts	803,545	948,248	(144,703)	9,009,909	9,488,750	(478,841)
Total Liabilities	7,276,512	7,170,708	105,804	11,738,664	12,389,092	(650,428)
Deferred Inflows of Resources						
Property Taxes	175,401	161,063	14,338	0	0	0
Pension & OPEB	356,572	100,520	256,052	276,154	7,566	268,588
Total Deferred Inflows of Resources	531,973	261,583	270,390	276,154	7,566	268,588
Net Position						
Net Investment in Capital Assets	4,489,767	4,168,144	321,623	8,049,592	7,092,210	957,382
Restricted	1,183,024	1,287,889	(104,865)	0	0	0
Unrestricted	(3,504,659)	(2,872,319)	(632,340)	2,912,668	3,472,825	(560,157)
Total Net Position	$ 2,168,132	$ 2,583,714	$ (415,582)	$ 10,962,260	$ 10,565,035	$ 397,225

The net pension liability (NPL) is one of the largest single liabilities 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 City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

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

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

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

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

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

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 $5,005,946 to $2,583,714 for governmental activities and from $11,133,930 to $10,565,035 for business-type activities.

At year end, capital assets represented 73 percent of total assets. Capital assets include land, a work of art, buildings, land improvements, equipment, vehicles, infrastructure, water and sewer lines, and construction in progress. Capital assets, net of related debt were $12,539,359 at December 31, 2018, with $4,489,767 in governmental activities and $8,049,592 in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, $1,183,024 represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is a deficit balance of $591,991.

Current and other assets decreased due to cash paid primarily for the purchase of a service garage and various capital assets during 2018.

Capital assets increased in business-type activities primarily due to the completion of the wastewater treatment plant improvements project.

For both governmental and business-type activities, the changes reflected in net pension and OPEB liability and deferred outflows/inflows of resources relating to pension and OPEB are based on estimates at the plan level. For additional details on GASB 68 and 75, see aforementioned discussion.

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In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2018 and 2017.

Table 2
Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2018	2017	Change	2018	2017	Change
Revenues						
Program Revenues:						
Charges for Services	$ 165,285	$ 156,034	$ 9,251	$ 4,242,114	$ 4,362,120	$ (120,006)
Operating Grants	794,868	582,385	212,483	10,000	0	10,000
Capital Grants	73,524	0	73,524	0	250,000	(250,000)
General Revenues:						
Property Taxes	163,798	164,260	(462)	0	0	0
Income Taxes	2,966,834	2,951,849	14,985	0	0	0
Grants and Entitlements	131,251	181,129	(49,878)	0	0	0
Other Local Taxes	27,122	40,267	(13,145)	0	0	0
Miscellaneous	40,012	22,810	17,202	870	2,805	(1,935)
Investment Earnings	11,807	1,757	10,050	0	0	0
Total Revenues	4,374,501	4,100,491	274,010	4,252,984	4,614,925	(361,941)
Program Expenses						
General Government	680,328	679,387	941	0	0	0
Security of Persons and Property	2,155,153	1,868,727	286,426	0	0	0
Public Health	13,000	11,489	1,511	0	0	0
Leisure Time Services	302,957	265,857	37,100	0	0	0
Community Development	653,103	546,178	106,925	0	0	0
Transportation	774,843	657,096	117,747	0	0	0
Interest and Fiscal Charges	14,542	16,396	(1,854)	0	0	0
Enterprise Operations:						
Water	0	0	0	2,480,482	2,288,826	191,656
Sewer	0	0	0	989,019	989,016	3
Refuse	0	0	0	582,415	557,399	25,016
Total Program Expenses	4,593,926	4,045,130	548,796	4,051,916	3,835,241	216,675
Increase (Decrease) in Net Position	(219,425)	55,361	(274,786)	201,068	779,684	(578,616)
Transfers	(196,157)	(125,000)	(71,157)	196,157	125,000	71,157
Change in Net Position	(415,582)	(69,639)	(345,943)	397,225	904,684	(507,459)
Net Position Beginning of Year	2,583,714	5,075,585	(2,491,871)	10,565,035	10,229,246	335,789
Restatement - See Note 2	0	(2,422,232)	2,422,232	0	(568,895)	568,895
Net Position End of Year	$ 2,168,132	$ 2,583,714	$ (415,582)	$ 10,962,260	$ 10,565,035	$ 397,225

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 $16,818 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 $281,919. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-Type Activities
Total 2018 Expenses under GASB 75	$ 4,555,464	$ 4,051,916
OPEB Expense under GASB 75	(237,969)	(43,950)
2018 Contractually Required Contributions	5,212	0
Adjusted 2018 Expenses	4,322,707	4,007,966
Total 2017 Expenses under GASB 45	4,045,130	3,835,241
Increase/(Decrease) in Expenses not Related to OPEB	$ 277,577	$ 172,725

The City's overall net position decreased $18,357 from the prior year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental Activities

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

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

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

Security of persons and property represent the largest expense of the governmental activities and increased during 2018 primarily due to fire house repairs.

Business-Type Activities

Business-type activities include water, sewer and refuse operations. The revenues are generated primarily from charges for services which in 2018 accounted for 99.7 percent of the business type revenues.

Capital grants decreased during 2018 due to the final receipt of a grant from the Ohio Water Development Authority (OWDA) for the completion of the wastewater treatment plant improvements project.

The City's Funds

Governmental Funds

As noted earlier, the City's governmental funds are accounted for using the modified accrual method of accounting. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of the fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City's Council.

The general fund is the chief operating fund of the City. The fund balance of the general fund decreased by $119,769 during the current fiscal year primarily due to cash paid for the purchase of capital assets.

The fund balance of the CHIP fund decreased by $8,842.

The fund balance of the capital improvements fund decreased by $267,857 primarily due to cash paid for street repairs and fire house repairs.

Proprietary Funds

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

Unrestricted net position of the water fund at the end of the year was $1,444,515 and the sewer fund was $1,162,195 and the refuse was a deficit of $38,962. Total change in net position for these funds was an increase in the water and sewer funds of $255,686 and $122,551, respectively, and a decrease in the refuse fund of $39,471, which was due to normal operations. Other factors concerning the finances of these funds have already been addressed in the discussion of the business-type activities.

General Fund Budgeting Highlights

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

During the course of 2018, the City amended its general fund budget on various occasions. All recommendations for appropriation changes come to Council from the City Auditor. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

Original Budget Compared to Final Budget During the year there were no significant amendments to increase the original estimated revenues or original budgeted appropriations.

Final Budget Compared to Actual Results A review of actual expenditures compared to the final budgeted appropriations yielded large variances in expenditures for general government and security of persons and property expenditures. These variances were primarily the result of conservative budgeting.

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

Capital Assets and Debt Administration

Capital Assets

Table 3 shows 2018 balances compared with 2017.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	$ 140,000	$ 140,000	$ 43,904	$ 43,904	$ 183,904	$ 183,904
Work of Art	17,500	17,500	0	0	17,500	17,500
Construction in Progress	112,942	113,522	70,543	2,423,205	183,485	2,536,727
Buildings	1,025,149	863,859	11,336,272	8,128,546	12,361,421	8,992,405
Land Improvements	313,713	272,458	1,491,411	1,439,754	1,805,124	1,712,212
Equipment	374,822	405,836	781,154	907,973	1,155,976	1,313,809
Vehicles	1,228,789	1,272,368	413,628	438,291	1,642,417	1,710,659
Infrastructure	1,934,836	1,840,962	0	0	1,934,836	1,840,962
Water and Sewer Lines	0	0	3,899,187	4,004,624	3,899,187	4,004,624
Total	$ 5,147,751	$ 4,926,505	$ 18,036,099	$ 17,386,297	$ 23,183,850	$ 22,312,802

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

Debt

Table 4 summarizes outstanding debt. See Note 14 for additional details.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Installment Loans	$ 315,698	$ 366,045	$ 0	$ 0	$ 315,698	$ 366,045
OPWC Loans	0	0	172,250	178,750	172,250	178,750
OWDA Loans	0	0	9,651,770	9,884,737	9,651,770	9,884,737
Capital Leases	331,054	392,316	155,698	230,600	486,752	622,916
Total	$ 646,752	$ 758,361	$ 9,979,718	$ 10,294,087	$ 10,626,470	$ 11,052,448

Current Financial Issues

The City had an unencumbered cash balance of $1,508,115 at December 31, 2018 in the general fund.

The City has a 2 percent wage income tax, which when added together with revenue from grants, enabled the City to complete various capital improvements during 2018.

The City sells water to Jefferson County and the revenue from these water sales totaled $1,486,823.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Lisa Bauman, Auditor of City of Toronto, 416 Clark Street, Toronto, Ohio 43964, telephone 740-537-4505 or email tauditor@brdband.com.

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City of Toronto
Jefferson County, Ohio
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	$ 2,012,834	$ 3,409,530	$ 5,422,364
Cash and Cash Equivalents in Segregated Accounts	137,202	0	137,202
Cash and Cash Equivalents with Fiscal Agents	710,454	0	710,454
Accounts Receivable	0	657,374	657,374
Intergovernmental Receivable	817,937	0	817,937
Taxes Receivable	529,481	0	529,481
Internal Balances	(344,920)	344,920	0
Prepaid Items	27,621	39,246	66,867
Materials and Supplies Inventory	48,082	132,677	180,759
Restricted Assets:			
Equity in Pooled Cash and Investments	0	75,991	75,991
Non-Depreciable Capital Assets	270,442	114,447	384,889
Depreciable Capital Assets, Net	4,877,309	17,921,652	22,798,961
Total Assets	9,086,442	22,695,837	31,782,279
Deferred Outflows of Resources			
Pension	562,917	237,079	799,996
OPEB	327,258	44,162	371,420
Total Deferred Outflows of Resources	890,175	281,241	1,171,416
Liabilities			
Accounts Payable	36,182	103,914	140,096
Contracts Payable	11,232	6,789	18,021
Intergovernmental Payable	26,068	13,678	39,746
Claims Payable	27,725	0	27,725
Customer Deposits	0	75,991	75,991
Long-Term Liabilities:			
Due Within One Year	154,020	1,081,000	1,235,020
Due In More Than One Year:			
Net Pension Liability	3,293,609	847,269	4,140,878
Net OPEB Liability	2,924,131	600,114	3,524,245
Other Amounts Due in More Than One Year	803,545	9,009,909	9,813,454
Total Liabilities	7,276,512	11,738,664	19,015,176
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	175,401	0	175,401
Pension	298,456	219,261	517,717
OPEB	58,116	56,893	115,009
Total Deferred Inflows of Resources	531,973	276,154	808,127
Net Position			
Net Investment in Capital Assets	4,489,767	8,049,592	12,539,359
Restricted for:			
Capital Projects	147,421	0	147,421
Other Purposes	1,035,603	0	1,035,603
Unrestricted	(3,504,659)	2,912,668	(591,991)
Total Net Position	$ 2,168,132	$ 10,962,260	$ 13,130,392

See accompanying notes and accountant's compilation report.

City of Toronto
Jefferson County, Ohio
Statement of Activities
For the Year Ended December 31, 2018

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants, Contributions and Interest	Program Revenues: Capital Grants, Contributions and Interest	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Business-Type Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental Activities							
General Government	$ 680,328	$ 48,498	$ 0	$ 0	$ (631,830)	$ 0	$ (631,830)
Security of Persons and Property	2,155,153	32,589	5,634	0	(2,116,930)	0	(2,116,930)
Public Health	13,000	0	0	0	(13,000)	0	(13,000)
Leisure Time Services	302,957	84,198	11,321	0	(207,438)	0	(207,438)
Community Development	653,103	0	576,890	0	(76,213)	0	(76,213)
Transportation	774,843	0	201,023	73,524	(500,296)	0	(500,296)
Interest and Fiscal Charges	14,542	0	0	0	(14,542)	0	(14,542)
Total Governmental Activities	4,593,926	165,285	794,868	73,524	(3,560,249)	0	(3,560,249)
Business-Type Activities							
Water	2,480,482	2,748,752	10,000	0	0	278,270	278,270
Sewer	989,019	1,060,094	0	0	0	71,075	71,075
Refuse	582,415	433,268	0	0	0	(149,147)	(149,147)
Total Business-Type Activities	4,051,916	4,242,114	10,000	0	0	200,198	200,198
Total	$ 8,645,842	$ 4,407,399	$ 804,868	$ 73,524	(3,560,249)	200,198	(3,360,051)

	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Property Taxes Levied for:			
General Purposes	121,686	0	121,686
Parks and Recreation	10,366	0	10,366
Police and Fire	31,746	0	31,746
Income Taxes Levied for:			
General Purposes	2,966,834	0	2,966,834
Grants and Entitlements not Restricted to Specific Programs	131,251	0	131,251
Other Local Taxes	27,122	0	27,122
Miscellaneous	40,012	870	40,882
Investment Earnings	11,807	0	11,807
Total General Revenues	3,340,824	870	3,341,694
Transfers	(196,157)	196,157	0
Total General Revenues, Special Item, Extraordinary Item and Transfers	(196,157)	196,157	0
Change in Net Position	(415,582)	397,225	(18,357)
Net Position Beginning of Year (Restated, see Note 2)	2,583,714	10,565,035	13,148,749
Net Position End of Year	$ 2,168,132	$ 10,962,260	$ 13,130,392

See accompanying notes and accountant's compilation report.

City of Toronto
Jefferson County, Ohio
Balance Sheet
Governmental Funds
December 31, 2018

	General	CHIP	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$ 1,600,431	$ 0	$ 137,642	$ 274,761	$ 2,012,834
Cash and Cash Equivalents in Segregated Accounts	0	25,771	0	111,431	137,202
Intergovernmental Receivable	56,567	662,476	0	98,894	817,937
Taxes Receivable	470,911	0	0	58,570	529,481
Prepaid Items	21,320	0	0	6,301	27,621
Materials and Supplies Inventory	0	0	0	48,082	48,082
Total Assets	$ 2,149,229	$ 688,247	$ 137,642	$ 598,039	$ 3,573,157
Liabilities					
Accounts Payable	$ 11,474	$ 12,988	$ 0	$ 11,720	$ 36,182
Contracts Payable	0	0	11,232	0	11,232
Intergovernmental Payable	2,946	0	0	23,122	26,068
Total Liabilities	14,420	12,988	11,232	34,842	73,482
Deferred Inflows of Resources					
Property Taxes Levied for the Next Year	130,598	0	0	44,803	175,401
Unavailable Revenue	98,474	662,476	0	93,889	854,839
Total Deferred Inflows of Resources	229,072	662,476	0	138,692	1,030,240
Fund Balances					
Nonspendable	25,480	0	0	54,383	79,863
Restricted	0	12,783	0	370,122	382,905
Committed	88,162	0	0	0	88,162
Assigned	879,181	0	126,410	0	1,005,591
Unassigned	912,914	0	0	0	912,914
Total Fund Balances	1,905,737	12,783	126,410	424,505	2,469,435
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,149,229	$ 688,247	$ 137,642	$ 598,039	$ 3,573,157

See accompanying notes and accountant's compilation report.

City of Toronto
Jefferson County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2018

Total Governmental Fund Balances		$ 2,469,435
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,147,751
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Delinquent Property Taxes	$ 32,139	
Income Tax	27,687	
Intergovernmental	795,013	854,839
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		337,809
The net pension liability and net OPEB liability are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred Outflows - Pension	562,917	
Deferred Outflows - OPEB	327,258	
Net Pension Liability	(3,293,609)	
Net OPEB Liability	(2,924,131)	
Deferred Inflows - Pension	(298,456)	
Deferred Inflows - OPEB	(58,116)	(5,684,137)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Installment Loan Payable	(315,698)	
Capital Leases	(331,054)	
Compensated Absences	(310,813)	(957,565)
Net Position of Governmental Activities		$ 2,168,132

See accompanying notes and accountant's compilation report.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	CHIP	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	$ 120,195	$ 0	$ 0	$ 41,398	$ 161,593
Income Taxes	2,939,147	0	0	0	2,939,147
Other Local Taxes	0	0	0	46,083	46,083
Charges for Services	0	0	0	84,198	84,198
Licenses and Permits	48,498	0	0	0	48,498
Fines and Forfeitures	32,589	0	0	0	32,589
Intergovernmental	131,103	612,731	0	388,099	1,131,933
Interest	4,255	0	0	41	4,296
Other	19,769	0	0	20,243	40,012
Total Revenues	3,295,556	612,731	0	580,062	4,488,349
Expenditures					
Current:					
General Government	661,468	0	0	0	661,468
Security of Persons and Property	1,648,645	0	0	221,807	1,870,452
Public Health	13,000	0	0	0	13,000
Leisure Time Services	13,500	0	0	199,483	212,983
Community Development	0	621,573	0	31,530	653,103
Transportation	55,432	0	0	574,190	629,622
Capital Outlay	52,808	0	467,857	21,522	542,187
Debt Service:					
Principal Retirement	111,609	0	0	0	111,609
Interest and Fiscal Charges	14,542	0	0	0	14,542
Total Expenditures	2,571,004	621,573	467,857	1,048,532	4,708,966
Excess of Revenues Over (Under) Expenditures	724,552	(8,842)	(467,857)	(468,470)	(220,617)
Other Financing Sources (Uses)					
Transfers In	0	0	200,000	519,321	719,321
Transfers Out	(844,321)	0	0	0	(844,321)
Total Other Financing Sources (Uses)	(844,321)	0	200,000	519,321	(125,000)
Net Change in Fund Balance	(119,769)	(8,842)	(267,857)	50,851	(345,617)
Fund Balance Beginning of Year	2,025,506	21,625	394,267	373,654	2,815,052
Fund Balance End of Year	$ 1,905,737	$ 12,783	$ 126,410	$ 424,505	$ 2,469,435

See accompanying notes and accountant's compilation report.

City of Toronto
Jefferson County, Ohio
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds		$ (345,617)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	$ 534,475	
Current Year Depreciation	(313,229)	221,246
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	10,931	
Intergovernmental	(132,331)	(121,400)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	50,347	
Capital Lease	61,262	111,609
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	279,848	
OPEB	5,212	285,060
Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	(451,914)	
OPEB	(237,969)	(689,883)
The internal service fund used by management to charge the costs of insurance to invididual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		70,675
Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Accrued Vacation Leave Payable		
Compensated Absences		52,728
Change in Net Position of Governmental Activities		$ (415,582)

See accompanying notes and accountant's compilation report.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Property Taxes	$ 109,653	$ 142,015	$ 120,195	$ (21,820)
Income Taxes	2,783,142	2,830,746	3,050,702	219,956
Licenses and Permits	44,245	65,022	48,498	(16,524)
Fines and Forfeitures	29,731	45,715	32,589	(13,126)
Intergovernmental	119,522	167,547	131,012	(36,535)
Interest	3,882	2,563	4,255	1,692
Other	17,644	10,561	19,340	8,779
Total Revenues	3,107,819	3,264,169	3,406,591	142,422
Expenditures				
Current:				
General Government	980,740	894,355	657,223	237,132
Security of Persons and Property	1,679,055	1,709,890	1,596,496	113,394
Public Health	12,000	13,000	13,000	0
Leisure Time Services	0	13,500	13,500	0
Transportation	0	125,500	55,749	69,751
Capital Outlay	0	59,150	52,808	6,342
Debt Service:				
Principal Retirement	99,620	111,609	111,609	0
Interest and Fiscal Charges	27,580	15,591	14,542	1,049
Total Expenditures	2,798,995	2,942,595	2,514,927	427,668
Excess of Revenues Over (Under) Expenditures	308,824	321,574	891,664	570,090
Other Financing Sources (Uses)				
Advances In	129,546	142,000	142,000	0
Transfers Out	(760,000)	(844,321)	(874,321)	(30,000)
Total Other Financing Sources (Uses)	(630,454)	(702,321)	(732,321)	(30,000)
Net Change in Fund Balance	(321,630)	(380,747)	159,343	540,090
Fund Balance Beginning of Year	1,348,772	1,348,772	1,348,772	0
Fund Balance End of Year	$ 1,027,142	$ 968,025	$ 1,508,115	$ 540,090

See accompanying notes and accountant's compilation report.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
CHIP Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Over (Under)
Revenues				
Intergovernmental	$ 194,969	$ 698,500	$ 627,236	$ (71,264)
Expenditures				
Current:				
Community Development	194,968	701,469	608,585	92,884
Excess of Revenues Over (Under) Expenditures	1	(2,969)	18,651	21,620
Net Change in Fund Balance	1	(2,969)	18,651	21,620
Fund Balance Beginning of Year	7,122	7,122	7,122	0
Fund Balance End of Year	$ 7,123	$ 4,153	$ 25,773	$ 21,620

See accompanying notes and accountant's compilation report.

City of Toronto
Jefferson County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2018

	Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Total	
Assets						
Current Assets:						
Equity in Pooled Cash and Cash Equivalents	$ 1,793,162	$ 1,388,863	$ 227,505	$ 0	$ 3,409,530	$ 0
Cash and Cash Equivalents in Segregated Accounts	0	0	0	0	0	710,454
Accounts Receivable	368,230	211,092	78,052	0	657,374	0
Prepaid Items	17,117	10,166	11,963	0	39,246	0
Materials and Supplies Inventory	99,817	32,860	0	0	132,677	0
Total Current Assets	2,278,326	1,642,981	317,520	0	4,238,827	710,454
Non-Current Assets:						
Restricted Assets:						
Equity in Pooled Cash and Investments	0	0	0	75,991	75,991	0
Non-Depreciable Capital Assets	56,370	58,077	0	0	114,447	0
Depreciable Capital Assets, Net	12,452,062	5,376,769	92,821	0	17,921,652	0
Total Non-Current Assets	12,508,432	5,434,846	92,821	75,991	18,112,090	0
Total Assets	14,786,758	7,077,827	410,341	75,991	22,350,917	710,454
Deferred Outflows of Resources						
Pension	116,689	68,065	52,325	0	237,079	0
OPEB	21,719	12,307	10,136	0	44,162	0
Total Deferred Outflows of Resources	138,408	80,372	62,461	0	281,241	0
Liabilities						
Current Liabilities:						
Accounts Payable	32,725	64,562	6,627	0	103,914	0
Contracts Payable	6,789	0	0	0	6,789	0
Intergovernmental Payable	5,408	5,401	2,869	0	13,678	0
Claims Payable	0	0	0	0	0	27,725
Compensated Absences Payable	14,121	3,092	4,964	0	22,177	0
Capital Leases Payable	0	76,850	0	0	76,850	0
OPWC Loans Payable	6,500	0	0	0	6,500	0
OWDA Loans Payable	830,649	144,824	0	0	975,473	0
Total Current Liabilities	896,192	294,729	14,460	0	1,205,381	27,725
Long-Term Liabilities:						
Compensated Absences Payable - Net of Current Portion	73,277	3,206	12,531	0	89,014	0
Capital Leases Payable - Net of Current Portion	0	78,848	0	0	78,848	0
OPWC Loans Payable - Net of Current Portion	165,750	0	0	0	165,750	0
OWDA Loans Payable - Net of Current Portion	5,985,813	2,690,484	0	0	8,676,297	0
Customer Deposits	0	0	0	75,991	75,991	0
Net Pension Liability	416,690	236,124	194,455	0	847,269	0
Net OPEB Liability	295,138	167,245	137,731	0	600,114	0
Total Long-Term Liabilities	6,936,668	3,175,907	344,717	75,991	10,533,283	0
Total Liabilities	7,832,860	3,470,636	359,177	75,991	11,738,664	27,725
Deferred Inflows of Resources						
Pension	103,183	67,926	48,152	0	219,261	0
OPEB	24,888	20,391	11,614	0	56,893	0
Total Deferred Inflows of Resources	128,071	88,317	59,766	0	276,154	0
Net Position						
Net Investment in Capital Assets	5,519,720	2,437,051	92,821	0	8,049,592	0
Unrestricted	1,444,515	1,162,195	(38,962)	0	2,567,748	682,729
Total Net Position	$ 6,964,235	$ 3,599,246	$ 53,859	$ 0	10,617,340	$ 682,729
Some amounts reported for business-type activities in the statement of net position are different because internal service fund assets and liabilities are included with business-type activities.						
Net Position of business-type activities					344,920	
					$10,962,260	

See accompanying notes and accountant's compilation report.

City of Toronto
Jefferson County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Enterprise Funds					Governmental Activities - Internal Service Fund
	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Total	
Operating Revenues						
Charges for Services	$ 2,748,752	$ 1,060,094	$ 433,268	$ 0	$ 4,242,114	$ 641,327
Other	870	0	0	0	870	64
Total Operating Revenues	2,749,622	1,060,094	433,268	0	4,242,984	641,391
Operating Expenses						
Personal Services	703,351	422,106	347,896	0	1,473,353	0
Contractual Services	760,465	375,150	218,877	0	1,354,492	179,089
Materials and Supplies	367,435	38,829	2,818	0	409,082	0
Claims	0	0	0	0	0	340,720
Depreciation	462,595	134,323	28,148	0	625,066	0
Total Operating Expenses	2,293,846	970,408	597,739	0	3,861,993	519,809
Operating Income (Loss)	455,776	89,686	(164,471)	0	380,991	121,582
Non-Operating Revenues (Expense)						
Interest	0	0	0	0	0	7,552
Intergovernmental	10,000	0	0	0	10,000	0
Interest and Fiscal Charges	(210,090)	(38,292)	0	0	(248,382)	0
Total Non-Operating Revenues (Expense)	(200,090)	(38,292)	0	0	(238,382)	7,552
Income (Loss) Before Capital Contributions and Transfers	255,686	51,394	(164,471)	0	142,609	129,134
Capital Contributions	0	71,157	0	0	71,157	0
Transfers In	0	0	125,000	0	125,000	0
Total Capital Contributions, and Transfers	0	71,157	125,000	0	196,157	0
Change in Net Position	255,686	122,551	(39,471)	0	338,766	129,134
Net Position Beginning of Year (Restated, see Note 2)	6,708,549	3,476,695	93,330	0		553,595
Net Position End of Year	$ 6,964,235	$ 3,599,246	$ 53,859	$ 0		$ 682,729
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds:					58,459	
Changes in Net Position of Business-Type Activities					$ 397,225	

See accompanying notes and accountant's compilation report.

City of Toronto
Jefferson County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2018

	Enterprise Funds					Governmental
	Water	Sewer	Refuse	Nonmajor Enterprise Funds	Total	Activities - Internal Service Fund
Cash Flows from Operating Activities						
Cash Received from Customers	$ 2,722,294	$ 1,029,988	$ 431,545	$ 0	$ 4,183,827	$ 641,327
Cash Received from Other Operating Receipts	870	0	0	20,700	21,570	64
Cash Payments to Suppliers for Goods and Services	(360,783)	(45,891)	(2,841)	0	(409,515)	0
Cash Payments to Employees for Services and Benefits	(617,594)	(383,432)	(313,162)	0	(1,314,188)	0
Cash Payments for Contractual Services	(761,068)	(324,549)	(217,274)	(20,700)	(1,323,591)	(179,089)
Cash Payments for Claims	0	0	0	0	0	(326,693)
Net Cash Provided by (Used for) Operating Activities	983,719	276,116	(101,732)	0	1,158,103	135,609
Cash Flows from Noncapital Financing Activities						
Intergovernmental Revenue	10,000	0	0	0	10,000	0
Transfers In	0	0	125,000	0	125,000	0
Interest	0	0	0	0	0	7,552
Net Cash Provided by (Used for) Noncapital Financing Activities	10,000	0	125,000	0	135,000	7,552
Cash Flows from Capital and Related Financing Activities						
Capital Grants	0	85,213	0	0	85,213	0
Proceeds of OWDA Loans	35,522	691,512	0	0	727,034	0
Acquisition of Capital Assets	(148,995)	(1,047,927)	0	0	(1,196,922)	0
Principal Payments on Debt	(821,333)	(220,070)	0	0	(1,041,403)	0
Interest Payments on Debt	(210,090)	(38,292)	0	0	(248,382)	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,144,896)	(529,564)	0	0	(1,674,460)	0
Net Increase (Decrease) in Cash and Investments	(151,177)	(253,448)	23,268	0	(381,357)	143,161
Cash and Investments Beginning of Year	1,944,339	1,642,311	204,237	75,991	3,866,878	567,293
Cash and Investments End of Year	$ 1,793,162	$ 1,388,863	$ 227,505	$ 75,991	$ 3,485,521	$ 710,454
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities						
Operating Income (Loss)	$ 455,776	$ 89,686	$ (164,471)	$ 0	$ 380,991	$ 121,582
Adjustments:						
Depreciation	462,595	134,323	28,148	0	625,066	0
(Increase) Decrease in Assets and Deferred Outflows:						
Accounts Receivable	(26,458)	(30,106)	(1,723)	0	(58,287)	0
Prepaid Items	202	(114)	150	0	238	0
Materials and Supplies Inventory	5,390	(9,290)	0	0	(3,900)	0
Deferred Outflows - Pension/OPEB	137,782	87,989	62,484	0	288,255	0
Increase (Decrease) in Liabilities and Deferred Inflows:						
Accounts Payable	972	53,152	1,740	0	55,864	0
Claims Payable	0	0	0	0	0	14,027
Compensated Absences Payable	4,917	(2,032)	(1,374)	0	1,511	0
Intergovernmental Payable	216	(634)	228	0	(190)	0
Deferred Inflows - Pension/OPEB	124,410	86,120	58,058	0	268,588	0
Net Pension Liability	(198,421)	(132,943)	(92,597)	0	(423,961)	0
Net OPEB Liability	16,338	(35)	7,625	0	23,928	0
Net Cash Provided by (Used For) Operating Activities	$ 983,719	$ 276,116	$ (101,732)	$ 0	$ 1,158,103	$ 135,609

Noncash Capital Financing Activities:
The City purchased $6,789 of water fund capital assets on account in 2018.
The City transferred capital assets in the amount of $71,157 from governmental activities to the sewer fund.

See accompanying notes and accountant's compilation report.

NOTE 1 - REPORTING ENTITY AND BASIS OF PRESENTATION

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

Reporting Entity

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

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

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

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Basis of Presentation

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

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

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

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

B. Fund Accounting

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

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

> ***General Fund*** - The general fund accounts for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***CHIP Fund –*** The CHIP grant special revenue fund is used to account for grants for community and economic development activities and assistance.

Capital Improvements Fund – The capital improvements fund accounts for financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds.

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

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

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

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

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

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

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

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

C. Measurement Focus

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

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

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

D. Basis of Accounting

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

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

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB 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 on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue may include delinquent property taxes, income taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11).

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

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

E. Cash and Cash Equivalents

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

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

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

The City has segregated bank accounts for monies held separate from the City’s central bank account. These interest bearing depository accounts are presented on the statement of net position, the balance sheet, and the statement of fund net position - proprietary funds as “Cash and Cash Equivalents in Segregated Accounts” since they are not required to be deposited into the City’s treasury.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2018 amounted to $4,255, which includes $3,223 assigned from other City funds.

F. Prepaid Items

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

G. Materials and Supplies Inventory

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

H. Restricted Assets

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

I. Capital Assets

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

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

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

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

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

J. Interfund Balances

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

K. Compensated Absences

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

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

L. Accrued Liabilities and Long-term Obligations

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

M. Pensions/Other Post Employment Benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon 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.

N. Fund Balance

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

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

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

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

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

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

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

O. Net Position

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

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

P. Operating Revenues and Expenses

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

Q. Interfund Activity

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

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

R. Extraordinary and Special Items

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

S. Estimates

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

T. Budgetary Data

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

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

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

U. Contributions of Capital

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

V. Implementation of New Accounting Principles and Restatement of Net Position

For the fiscal year ended December 31, 2018, the City has implemented Governmental Accounting Standards Board (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 requires recognition of the entire net postemployment benefits other than pensions (other postemployment benefits or OPEB) liability and a more comprehensive measure of postemployment benefits expense for OPEB provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 75 resulted in the inclusion of net OPEB liability and OPEB expense components on the accrual financial statements. See below for the effect on net position as previously reported.

	Governmental Activities	Business-Type Activities
Net Position, December 31, 2017	$ 5,005,946	$ 11,133,930
Adjustments:		
Net OPEB Liability	(2,431,759)	(576,186)
Deferred Outflow-Payments		
Subsequent to Measurement Date	9,527	7,291
Restated Net Position, December 31, 2017	$ 2,583,714	$ 10,565,035

	Water	Sewer	Refuse	Total Business-Type Activities *
Net Position, December 31, 2017	$ 6,983,821	$ 3,641,858	$ 221,790	$ 10,847,469
Adjustments:				
Net OPEB Liability	(278,800)	(167,280)	(130,106)	(576,186)
Deferred Outflow-Payments				
Subsequent to Measurement Date	3,528	2,117	1,646	7,291
Restated Net Position, December 31, 2017	$ 6,708,549	$ 3,476,695	$ 93,330	$ 10,278,574

*Excludes internal service fund activity.

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.

GASB Statement No. 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and other postemployment benefits (OPEB). These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 86 addresses the reporting and disclosure requirements of certain debt extinguishments including in-substance defeasance transactions and prepaid insurance associated with debt that is extinguished. The implementation of GASB Statement No. 86 did not have an effect on the financial statements of the City.

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

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

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Some funds are included in the general fund, (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	General Fund	CHIP Fund
GAAP Basis	$ (119,769)	$ (8,842)
Net Adjustment for Revenue Accruals	253,464	14,505
Net Adjustment for Expenditure Accruals	3,979	12,988
Funds Budgeted Elsewhere*	21,669	0
Budget Basis	$ 159,343	$ 18,651

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

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

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

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

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

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

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

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

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

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

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

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

Deposits with Financial Institutions

Deposits - At year-end, $742,605 of the City's bank balance of $5,773,779 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the City's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in possession of an outside party.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required 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.

Segregated Cash and Cash with Fiscal Agents

The CHIP and titanium way funds are maintained separately from the City's deposits. The carrying amounts of the deposits are reported as "Cash and Cash Equivalents in Segregated Accounts."

The City participates in the Jefferson Health Plan for employee benefits. The amount held at fiscal year-end for the employee benefit self-insurance fund was $710,454 and is reported as "Cash and Cash Equivalents with Fiscal Agents." All benefit deposits are made to the consortium's depository account. Collateral is held by a qualified third-party trustee in the name of the consortium.

NOTE 5 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2018 for real and public utility property taxes represents collections of the 2017 taxes.

2018 real property taxes were levied after October 1, 2018 on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was $3.40 per $1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Category	Assessed Value
Real Property	$ 57,789,890
Public Utilities - Real	31,220
Public Utilities - Personal	3,749,260
Total Assessed Value	$ 61,570,370

The County Treasurer collects property taxes on behalf of all taxing districts within the County, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2018, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2018 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

NOTE 6 - RECEIVABLES

Receivables at December 31, 2018 consisted of taxes, accounts (billings for user charged services including unbilled utility services), and intergovernmental receivables arising from grants and shared revenues. All receivables are deemed collectible in full.

NOTE 7 – INCOME TAX

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

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

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NOTE 8 – CAPITAL ASSETS

A summary of changes in capital assets during 2018 follows:

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 140,000	$ 0	$ 0	$ 140,000
Work of Art	17,500	0	0	17,500
Construction in Progress	113,522	138,924	(139,504)	112,942
Total Capital Assets Not Being Depreciated	271,022	138,924	(139,504)	270,442
Capital Assets, Being Depreciated:				
Buildings	1,533,118	203,900	0	1,737,018
Land Improvements	1,368,164	83,299	0	1,451,463
Equipment	752,242	17,758	0	770,000
Vehicles	2,286,556	32,576	0	2,319,132
Infrastructure	2,551,792	197,522	0	2,749,314
Total Capital Assets, Being Depreciated	8,491,872	535,055	0	9,026,927
Less Accumulated Depreciation:				
Buildings	(669,259)	(42,610)	0	(711,869)
Land Improvements	(1,095,706)	(42,044)	0	(1,137,750)
Equipment	(346,406)	(48,772)	0	(395,178)
Vehicles	(1,014,188)	(76,155)	0	(1,090,343)
Infrastructure	(710,830)	(103,648)	0	(814,478)
Total Accumulated Depreciation	(3,836,389)	(313,229) *	0	(4,149,618)
Total Capital Assets Being Depreciated, Net	4,655,483	221,826	0	4,877,309
Total Governmental Activities Capital Assets, Net	$ 4,926,505	$ 360,750	$ (139,504)	$ 5,147,751

*Depreciation expense was charged to governmental functions as follows:

General Government	$ 24,794
Leisure Time Services	61,130
Security of Persons and Property	98,166
Transportation	129,139
Total	$ 313,229

	Balance 12/31/2017	Additions	Deletions	Balance 12/31/2018
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$ 43,904	$ 0	$ 0	$ 43,904
Construction in Progress	2,423,205	936,103	(3,288,765)	70,543
Total Capital Assets Not Being Depreciated	2,467,109	936,103	(3,288,765)	114,447
Capital Assets, Being Depreciated:				
Buildings	11,362,408	3,463,921	0	14,826,329
Improvements	1,756,420	80,920	0	1,837,340
Equipment	2,645,937	34,993	0	2,680,930
Vehicles	1,015,150	47,696	0	1,062,846
Infrastructure				
Water Lines	4,006,520	0	0	4,006,520
Sewer Lines	1,370,546	0	0	1,370,546
Total Capital Assets, Being Depreciated	22,156,981	3,627,530	0	25,784,511
Less Accumulated Depreciation:				
Buildings	(3,233,862)	(256,195)	0	(3,490,057)
Improvements	(316,666)	(29,263)	0	(345,929)
Equipment	(1,737,964)	(161,812)	0	(1,899,776)
Vehicles	(576,859)	(72,359)	0	(649,218)
Infrastructure				
Water Lines	(1,094,934)	(80,130)	0	(1,175,064)
Sewer Lines	(277,508)	(25,307)	0	(302,815)
Total Accumulated Depreciation	(7,237,793)	(625,066)	0	(7,862,859)
Total Capital Assets Being Depreciated, Net	14,919,188	3,002,464	0	17,921,652
Total Business-Type Activities Capital Assets, Net	$ 17,386,297	$ 3,938,567	$ (3,288,765)	$ 18,036,099

NOTE 9 - RISK MANAGEMENT

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

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

Casualty and Property Coverage

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

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

Financial Position

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

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

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

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

Contributions to PEP	
2016	$ 128,084
2017	131,432
2018	133,210

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

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

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

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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 and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula:	**Formula:**	**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	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

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

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

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

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2018 Actual Contribution Rates	
Employer:	
Pension	14.00 %
Post-Employment Health Care Benefits	0.00 %
Total Employer	14.00 %
Employee	10.00 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $170,343 for 2018. Of this amount, $15,376 is reported as an intergovernmental payable.

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

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 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.

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 July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

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

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

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

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

	Police	Firefighters
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 $213,414 for 2018. Of this amount, $21,083 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability 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 was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OPF	Total
Proportion of the Net Pension Liability:			
Current Measurement Period	0.008854%	0.044838%	
Prior Measurement Period	0.009029%	0.043790%	
Change in Proportion	-0.000176%	0.001048%	
Proportionate Share of the Net Pension Liability	$ 1,388,966	$ 2,751,912	$ 4,140,878
Pension Expense	$ 346,305	$ 322,378	$ 668,683

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OPF	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	$ 1,418	$ 41,761	$ 43,179
Changes of Assumptions	165,989	119,915	285,904
Changes in Proportionate Share	36,722	50,434	87,156
City Contributions Subsequent to the Measurement Date	170,343	213,414	383,757
Total Deferred Outflows of Resources	$ 374,472	$ 425,524	$ 799,996
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	$ 27,371	$ 4,977	$ 32,348
Net Difference between Projected and Actual Earnings on Pension Plan Investments	298,192	95,196	393,388
Changes in Proportionate Share	20,667	71,314	91,981
Total Deferred Inflows of Resources	$ 346,230	$ 171,487	$ 517,717

$383,757 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OPF	Total
2019	$ 147,129	$ 60,686	$ 207,815
2020	(35,873)	35,661	(212)
2021	(130,826)	(62,939)	(193,765)
2022	(122,531)	(41,370)	(163,901)
2023	0	38,905	38,905
Thereafter	0	9,680	9,680
	$ (142,101)	$ 40,623	$ (101,478)

Actuarial Assumptions - OPERS

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

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

Valuation Date	December 31, 2017
Wage Inflation	3.25 percent
Projected Salary Increases, including wage inflation	3.25 percent to 10.75 percent (includes wage inflation at 3.25 percent)
Investment Rate of Return	7.50 percent
Actuarial Cost Method	Individual Entry Age
Cost-of-Living Adjustments	Pre-1/7/2013 Retirees: 3.00 percent Simple Post-1/7/2013 Retirees: 3.00 percent Simple through 2018, then 2.15 percent Simple

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 table.

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

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

During 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 of 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 percent for 2017.

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

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's Proportionate Share of the Net Pension Liability	$ 2,466,450	$ 1,388,966	$ 490,669

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

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

Actuarial Cost Method	Entry Age (Level Percent of Payroll)
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Increases	3.25 percent (inflation plus productivity increase)
Inflation Assumptions	2.75 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.20 percent simple for increases based on lesser of the increase in CPI and 3.00 percent

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

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

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

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return 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 real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return**	30 Year Expected Real Rate of Return**
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
U.S. Inflation Linked Bonds*	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 are net of expected 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 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, OP&F'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 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's Proportionate Share of the Net Pension Liability	$ 3,814,870	$ 2,751,912	$ 1,884,970

NOTE 11: DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

OPERS administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

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

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 had no contractually required contribution for 2018.

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

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

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

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

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

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

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

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

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

The City's contractually required contribution to OP&F was $5,212 for 2018. Of this amount, $507 is reported as an intergovernmental payable.

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

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

	OPERS		OPF		Total	
Proportion of the Net OPEB Liability:						
Current Measurement Period		0.009059%		0.044838%		
Prior Measurement Period		0.009201%		0.043790%		
Change in Proportion		-0.000142%		0.001048%		
Proportionate Share of the Net OPEB Liability	$	983,792	$	2,540,453	$	3,524,245
OPEB Expense	$	76,782	$	205,137	$	281,919

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

	OPERS		OPF		Total	
Deferred Outflows of Resources						
Differences between Expected and Actual Experience	$	767	$	0	$	767
Changes of Assumptions		71,630		247,895		319,525
Changes in Proportionate Share		2,515		43,401		45,916
City Contributions Subsequent to the Measurement Date		0		5,212		5,212
Total Deferred Outflows of Resources	$	74,912	$	296,508	$	371,420
Deferred Inflows of Resources						
Differences between Expected and Actual Experience	$	0	$	12,813	$	12,813
Net Difference between Projected and Actual Earnings on OPEB Plan Investments		73,286		16,722		90,008
Changes in Proportionate Share		12,188		0		12,188
Total Deferred Inflows of Resources	$	85,474	$	29,535	$	115,009

$5,212 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS		OPF		Total	
2019	$	11,669	$	36,533	$	48,202
2020		11,778		36,533		48,311
2021		(15,686)		36,533		20,847
2022		(18,323)		36,535		18,212
2023		0		40,714		40,714
Thereafter		0		74,913		74,913
	$	(10,562)	$	261,761	$	251,199

Actuarial Assumptions - OPERS

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

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

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

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

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

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

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

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

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

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

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	$ 1,307,010	$ 983,792	$ 722,312

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 Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	$ 941,279	$ 983,792	$ 1,027,706

Actuarial Assumptions – OP&F

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

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

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

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

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.50 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.50 percent
Single discount rate:	
Currrent measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.20 percent simple for increased based on the lesser of the increase in CPI and 3.00 percent

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

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

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

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

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

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

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

Note: Assumptions are geometric.
* Levered 2x

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

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

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

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's Proportionate Share of the Net OPEB Liability	$ 3,175,603	$ 2,540,453	$ 2,051,742

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 Trend Rate	1% Increase
City's Proportionate Share of the Net OPEB Liability	$ 1,973,474	$ 2,540,453	$ 3,304,562

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's NOL is not known.

NOTE 12 - OTHER EMPLOYEE BENEFITS

A. Additional Insurance

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

Medical, surgical and dental insurance is offered to all employees through a self insurance internal service fund. The City is a member of the Jefferson Health Plan, a public entity risk management, insurance, and claims servicing pool, consisting of cities and other public entities across the state, in which monthly premiums are paid to the fiscal agent who in turn pays the claims on the City's behalf. The claims liability of $27,725 reported in the internal service fund at December 31, 2018, is based on an estimate provided by the third party administrator and the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses. Change in fund's claims liability for 2018 is as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2018	$ 13,698	$ 340,720	$ 326,693	$ 27,725
2017	$ 19,366	$ 296,549	$ 302,217	$ 13,698

B. Compensated Absences

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

NOTE 13 – INTERFUND TRANSFERS

The City made the following transfers during 2018:

	Transfers In	Transfers Out
Major Governmental Funds:		
General	$ 0	$ 844,321
Capital Improvements	200,000	0
Nonmajor Governmental Funds:		
Recreation	95,000	0
Police Pension	105,000	0
Fire Pension	70,000	0
Street Maintenance and Repair	165,000	0
Other Grants	84,321	0
Total Governmental Funds	719,321	844,321
Enterprise Funds:		
Refuse	125,000	0
Total	$ 844,321	$ 844,321

The General Fund transferred $844,321 to various other governmental funds and the refuse fund to distribute income tax revenue. The City transferred capital assets in the amount of $71,157 from governmental activities to the sewer fund.

NOTE 14 - LONG-TERM OBLIGATIONS

Changes in long-term obligations during the year ended December 31, 2018, consisted of the following:

	Restated Outstanding 12/31/2017	Additions	Reductions	Outstanding 12/31/2018	Amounts Due In One Year
Governmental Activities					
Installment Loan-City Building	$ 366,045	$ 0	$ (50,347)	$ 315,698	$ 51,043
Compensated Absences	363,541	62,830	(115,558)	310,813	40,121
Capital Lease	392,316	0	(61,262)	331,054	62,856
Net Pension Liability	3,552,740	0	(259,131)	3,293,609	0
OPEB	2,431,759	492,372	0	2,924,131	0
Total Governmental Activities	$ 7,106,401	$ 555,202	$ (486,298)	$ 7,175,305	$ 154,020
Business-Type Activities					
Water Treatment Plant OWDA Loan	$ 6,707,462	$ 0	$ (746,661)	$ 5,960,801	$ 771,200
Water Treatment OWDA Plant Lagoons	333,261	0	(40,218)	293,043	40,621
Waterline Replacement OWDA Loan	555,050	0	(16,463)	538,587	16,794
Combined Sewer Separation OWDA Loan	171,690	0	(12,961)	158,729	13,091
NEBO Drive Water & Sewer	0	30,704	(948)	29,756	0
Water Asset Management Plan OWDA Loan	0	20,170	(11,017)	9,153	2,034
Waste Water Treatment Plant OWDA Loan	2,117,274	676,160	(131,733)	2,661,701	131,733
Total OWDA loans	9,884,737	727,034	(960,001)	9,651,770	975,473
Waterline Replacement OPWC Loan	178,750	0	(6,500)	172,250	6,500
Capital Lease	230,600	0	(74,902)	155,698	76,850
Compensated Absences	109,680	18,823	(17,312)	111,191	22,177
Net Pension Liability	1,271,230	0	(423,961)	847,269	0
OPEB	576,186	23,928	0	600,114	0
Total Business-Type Activities	$ 12,251,183	$ 769,785	$(1,482,676)	$ 11,538,292	$ 1,081,000

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

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

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

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

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

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

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

During 2014, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan, in the amount of $2,886,904 for waste water treatment plant improvements. The City made the first payment on this loan on January 1, 2016. The loan matures on July 1, 2020. As of December 31, 2018, there is no amortization schedule available; therefore, it is not included in the following amortization table.

During 2018, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan for a water asset management plan with no interest in the amount of $20,170, of which $10,000 was forgiven. The loan matures on July 1, 2023.

During 2018, the City entered into a contractual agreement with the Ohio Water Development Authority (OWDA) for a loan in the amount of $38,079 for the Nebo Drive water and sewer extension project. As of December 31, 2018, only $30,704 has been drawn down by the City. The City made the first payment on this loan on December 21, 2018. The loan matures on July 1, 2023. This loan is not fully disbursed and there is no amortization schedule available. Therefore, it is not included in the following amortization table.

There are no repayment schedules for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the general fund and water, sewer, and refuse funds. For additional information related to the net pension liability and net OPEB liability see Notes 10 and 11.

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

Governmental Activities	Installment Loan-City Building	
Year	Principal	Interest
2019	$ 51,043	$ 3,644
2020	51,684	3,002
2021	52,334	2,352
2022	52,992	1,694
2023	53,658	1,028
2024-2028	53,987	350
	$ 315,698	$ 12,070

Business-Type Activities	OWDA Loans*		OPWC Loan	Total	
Year	Principal	Interest	Principal	Principal	Interest
2019	$ 843,740	$ 188,159	$ 6,500	$ 850,240	$ 188,159
2020	869,963	163,958	6,500	876,463	163,958
2021	897,028	138,979	6,500	903,528	138,979
2022	924,970	113,195	6,500	931,470	113,195
2023	952,794	86,583	6,500	959,294	86,583
2024-2028	2,095,451	114,624	32,500	2,127,951	114,624
2028-2032	128,409	30,967	32,500	160,909	30,967
2033-2037	117,817	19,590	32,500	150,317	19,590
2038-2042	130,141	7,264	32,500	162,641	7,264
2043-2047	0	0	9,750	9,750	0
	$ 6,960,313	$ 863,319	$ 172,250	$ 7,132,563	$ 863,319

*Excludes $2,661,701 in outstanding OWDA loans since there is no amortization schedule.

NOTE 15 - CAPITAL LEASES – LESSEE DISCLOSURE

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

Capital assets acquired by lease were initially capitalized in the amount of $452,026 for governmental activities and $384,502 for business-type activities, which is equal to the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation in the vehicles asset class for governmental activities was $23,543 as of December 31, 2018, leaving a current book value of $428,483. Accumulated depreciation in the vehicles asset class for business type activities was $108,942 as of December 31, 2018, leaving a current book value of $275,560. Corresponding liabilities were recorded on the Statement of Net Position for governmental activities.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2018:

		Governmental Activities	Business-Type Activities
Year ending December 31,	2019	$ 71,465	$ 80,898
	2020	71,464	80,898
	2021	71,464	0
	2022	71,465	0
	2023	71,464	0
Minimum lease payments		357,322	161,796
Less: amount representing interest		(26,268)	(6,098)
Present value of net minimum lease payments		$ 331,054	$ 155,698

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 17 - JOINTLY GOVERNED ORGANIZATIONS

A. Ohio Mid-Eastern Governments Association

Ohio Mid-Eastern Governments Association (OMEGA) is a ten-county regional council of governments comprised of Belmont, Carroll, Coshocton, Columbiana, Guernsey, Harrison, Holmes, Jefferson, Muskingum, and Tuscarawas counties. OMEGA was formed to aid and assist the participating counties and political subdivisions within the counties in the application for Appalachian Regional Commission and Economic Development grant monies. OMEGA is governed by a sixteen member executive board comprised of members appointed from each participating county and cities within each county. City membership is voluntary. The Mayor of the City of Toronto serves as the City's representative on the board; however, the City is not active. Each member currently pays a per capita membership fee based upon the most recent United States census. During 2018, no fees were paid to OMEGA. The continued existence of OMEGA is not dependent on the City's continued participation and no equity interest exists. OMEGA has no outstanding debt.

B. Jefferson-Belmont Joint Solid Waste Authority

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

NOTE 18 – FUND BALANCE

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

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

	General	CHIP	Capital Improvements	Other Governmental Funds	Total
Nonspendable for:					
Prepaid Items	$ 21,320	$ 0	$ 0	$ 6,301	$ 27,621
Materials and Supplies Inventory	0	0	0	48,082	48,082
Unclaimed Monies	4,160	0	0	0	4,160
Total Nonspendable	25,480	0	0	54,383	79,863
Restricted for:					
Recreation	0	0	0	32,508	32,508
Street Maintenance and City Improvements	0	0	0	92,810	92,810
Law Enforcement and Public Safety	0	0	0	60,170	60,170
Titanium Way Bridge Replacement	0	0	0	147,421	147,421
Community Development	0	12,783	0	37,213	49,996
Total Restricted	0	12,783	0	370,122	382,905
Committed for:					
Police and Fire Severence	88,162	0	0	0	88,162
Assigned for:					
Subsequent Year Appropriations	879,181	0	0	0	879,181
Capital Projects	0	0	126,410	0	126,410
Total Assigned	879,181	0	126,410	0	1,005,591
Unassigned	912,914	0	0	0	912,914
Total Fund Balance	$ 1,905,737	$ 12,783	$ 126,410	$ 424,505	$ 2,469,435

NOTE 19 – SUBSEQUENT EVENT

On September 9, 2019 Council passed a resolution authorizing the City to apply for, accept and enter into a cooperative agreement with the Ohio Water Development Authority for the Nebo Drive Phase 2 Project. The current loan amount is $180,637 with an interest rate of 2.47 percent.

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

	2018	2017	2016	2015	2014
Ohio Public Employees' Retirement System (OPERS)					
City's Proportion of the Net Pension Liability	0.008854%	0.009029%	0.008364%	0.007545%	0.007545%
City's Proportionate Share of the Net Pension Liability	$ 1,388,966	$ 2,050,371	$ 1,448,750	$ 910,011	$ 889,457
City's Covered Payroll	$ 1,176,014	$ 1,167,200	$ 941,300	$ 925,042	$ 700,923
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.11%	175.67%	153.91%	98.38%	126.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%
Ohio Police and Fire Pension Fund (OPF)					
City's Proportion of the Net Pension Liability	0.044838%	0.043790%	0.045441%	0.045885%	0.045885%
City's Proportionate Share of the Net Pension Liability	$ 2,751,912	$ 2,773,599	$ 2,923,251	$ 2,377,040	$ 2,234,748
City's Covered Payroll	$ 1,011,549	$ 972,417	$ 949,388	$ 936,300	$ 751,774
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	272.05%	285.23%	307.91%	253.88%	297.26%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	72.20%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

City of Toronto
Jefferson County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - Pension
Last Ten Years

	2018	2017	2016	2015
Ohio Public Employees' Retirement System (OPERS)				
Contractually Required Contribution	$ 170,343	$ 152,882	$ 140,064	$ 112,956
Contributions in Relation to the Contractually Required Contribution	(170,343)	(152,882)	(140,064)	(112,956)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
City's Covered Payroll	$ 1,216,736	$ 1,176,014	$ 1,167,200	$ 941,300
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%	12.00%
Ohio Police and Fire Pension Fund (OPF)				
Contractually Required Contribution	$ 213,414	$ 207,145	$ 199,135	$ 194,942
Contributions in Relation to the Contractually Required Contribution	(213,414)	(207,145)	(199,135)	(194,942)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
City's Covered Payroll	$ 1,042,390	$ 1,011,549	$ 972,417	$ 949,388
Contributions as a Percentage of Covered Payroll	20.47%	20.48%	20.48%	20.53%

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

See accompanying notes to the required supplementary information.

	2014	2013	2012	2011	2010	2009
	$ 111,005	$ 91,120	n/a	n/a	n/a	n/a
	(111,005)	(91,120)	n/a	n/a	n/a	n/a
	$ 0	$ 0	n/a	n/a	n/a	n/a
	$ 925,042	$ 700,923	n/a	n/a	n/a	n/a
	12.00%	13.00%	n/a	n/a	n/a	n/a
	$ 192,026	$ 130,499	$ 127,612	$ 130,619	$ 134,020	$ 132,133
	(192,026)	(130,499)	(127,612)	(130,619)	(134,020)	(132,133)
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 936,300	$ 751,774	$ 895,643	$ 922,179	$ 947,346	$ 935,989
	20.51%	17.36%	14.25%	14.16%	14.15%	14.12%

See accompanying notes to the required supplementary information.

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

	2018	2017
Ohio Public Employees' Retirement System (OPERS)		
City's Proportion of the Net OPEB Liability	0.009059%	0.009201%
City's Proportionate Share of the Net OPEB Liability	$ 983,792	$ 929,332
City's Covered Payroll	$ 1,176,014	$ 1,167,200
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	83.65%	79.62%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%
Ohio Police and Fire Pension Fund (OPF)		
City's Proportion of the Net OPEB Liability	0.044838%	0.043790%
City's Proportionate Share of the Net OPEB Liability	$ 2,540,453	$ 2,078,613
City's Covered Payroll	$ 1,011,549	$ 972,417
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	251.14%	213.76%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available.

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

City of Toronto
Jefferson County, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Last Ten Years

	2018	2017	2016	2015
Ohio Public Employees' Retirement System (OPERS)				
Contractually Required Contribution	$ 0	$ 11,760	$ 23,344	n/a
Contributions in Relation to the Contractually Required Contribution	0	(11,760)	(23,344)	n/a
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	n/a
City's Covered Payroll (1)	$ 1,216,736	$ 1,176,014	$ 1,167,200	n/a
Contributions as a Percentage of Covered Payroll	0.00%	1.00%	2.00%	n/a
Ohio Police and Fire Pension Fund (OPF)				
Contractually Required Contribution	$ 5,212	$ 5,058	$ 4,862	$ 4,747
Contributions in Relation to the Contractually Required Contribution	(5,212)	(5,058)	(4,862)	(4,747)
Contribution Deficiency (Excess)	$ 0	$ 0	$ 0	$ 0
City's Covered Payroll	$ 1,042,390	$ 1,011,549	$ 972,417	$ 949,388
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%

(n/a) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
(1) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan.

2014	2013	2012	2011	2010	2009
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a
$ 62,948	$ 61,485	$ 60,455	$ 62,247	$ 63,946	$ 63,180
(62,948)	(61,485)	(60,455)	(62,247)	(63,946)	(63,180)
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 936,300	$ 751,774	$ 895,643	$ 922,179	$ 947,346	$ 935,989
6.70%	8.18%	6.75%	6.75%	6.75%	6.75%

See accompanying notes to the required supplementary information.

Note 1 - Net Pension Liability

Changes in Assumptions – OPERS

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

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

Changes in Assumptions – OPF

For 2017, the single discount rate changed from 8.25 percent to 8.00 percent.

Note 2 - Net OPEB Liability

Changes in Assumptions - OPERS

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions – OPF

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

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

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

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Toronto, Jefferson County, (the "City") as of and for the year ended December 31, 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 October 11, 2019, wherein we qualified our opinion on the capital assets reported within the governmental activities, the business type activities, the Water, Sewer and Refuse funds. We also noted 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*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings that we consider material weaknesses. We consider findings 2018-001 and 2018-002 to be material weaknesses.

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed 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

Keith Faber
Auditor of State

Columbus, Ohio

October 11, 2019

SCHEDULE OF FINDINGS
DECEMBER 31, 2018

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

FINDING NUMBER 2018-001

Material Weakness – Capital Assets

Governmental Accounting Standards Board Implementation Guide 34B (Q145) states that it is not appropriate to report capital assets that are still in active service as “fully depreciated” if the amounts involved are significant: assets still in use should not be reported as fully depreciated. Instead, management should periodically reevaluate asset lives. If an asset will outlive its expected life, management should increase the asset life. This should be treated as a change in accounting estimate. These changes require allocating the remaining undepreciated life over the new estimate of remaining life.

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

Ohio Administrative Code § 117-2-02-(E) states that each public office should establish a capitalization threshold so that, unless the local public office establishes a capitalization threshold for any individual item of five thousand dollars or more, at a minimum, eighty per cent of the local public offices’ non-infrastructure assets are identified, classified, and recorded on the local public office’s financial records. It is management's responsibility to implement internal accounting control policies and procedures to reasonably ensure the City's assets are safeguarded and recorded. Specifically, these control procedures should include the maintenance of adequate documentation to support the accuracy and completeness of capital asset records. The City's capital assets are reported on the financial statements at $23,183,850 as of December 31, 2018.

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

- The City's GAAP converter has created and maintains a listing of capital assets of the City which is used in the accompanying financial statements;
- The City has not adopted a written policy regarding capital assets and has not performed a physical inventory of its assets;
- Several assets on the capital asset listing used to support the accompanying financial statements are fully depreciated, some of which do not appear to be in use by the City;
- Assets are included in the detailed listing which have an initial purchase value less than the City's capital asset threshold as listed in the Notes to the Financial Statements;
- Salvage values have not been established for any of the City's capital assets; and
- Estimated useful lives for vehicles are up to 40 years.

FINDING NUMBER 2018-001
(Continued)

During 2018, the City hired Industrial Appraisals to perform a valuation of the City's capital assets. The report received from Valuation Engineers was not provided to the GAAP converter and the figures are not included in the accompanying financial statements. A review of the report provided by Industrial Appraisers identified the following:

- A threshold of $1,000 was used, however, the City maintains a threshold of $5,000;
- Salvage values were not established and included in the report;
- No evidence was provided showing the City updated the listing with Industrial Appraisers for additions and deletions subsequent to the date of the evaluation; and
- Water and sewer lines were not included, thus, the report was not complete.

As a result of the items above, the report provided to the City by Industrial Appraisers was not included in the accompanying financial statements since the accuracy and fair statement of the amounts could not reasonably be determined.

The items identified above are the result of the City not having a capital asset policy and complying with the requirements listed in GASB Statement 34. Failure to implement the items listed above will result in a continued modified opinion and could result in adjustments to the financial statements.

The City should conduct a complete physical inventory of its assets annually and provide updates to Industrial Appraisers for updating. The City should review the capital asset valuation report from Industrial Appraisals and ensure it is accurate and complete and then provide to the GAAP converter for inclusion in the annual financial statement report. The City should create and approve a comprehensive written policy governing the identification, disposition, and depreciation of general infrastructure required to be reported under Governmental Accounting Standards Board (GASB) Statement No. 34. The policy should also include application and monitoring controls over the purchase, sale, and movement of capital assets within the City and periodic inventory requirements. This policy may then provide a consistent approach needed by management to exercise proper control over the acquisition, disposal, and maintenance of the City's property, plant, and equipment. If an asset will outlive its expected life, management should increase the asset life and allocate any remaining undepreciated life of similar assets over the new estimated life.

FINDING NUMBER 2018-002

Material Weakness – Financial Reporting

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

FINDING NUMBER 2018-002
(Continued)

The Auditor did not review the conversion working papers to identify the overstatement of materials and supplies inventory and this resulted in an adjustment to the financial statements. The City Auditor and management have agreed to the adjustments and the corrected amounts are reflected in the accompanying financial statements.

Fund Adjusted	Amount	Explanation
Street Maintenance and Repair Special Revenue	$38,462	To adjust the financial statements for actual and projected errors due to the use of an incorrect unit price of City inventory.

Other mispostings were identified, however were not material and the City decided not to make the adjustments. The City did not have procedures in place to review the GAAP working papers.

Failure to review the GAAP working papers increases the possibility the City will present in accurate financial statements which could result in additional adjustments and reclassifications and could result in a modified financial statement opinion.

The City should review the GAAP working papers to ensure the information included in the annual financial statement report is accurate. To help strengthen controls over City inventory, the inventory summaries should list the total number of items by type and an average unit price per item should also be included so that the total value of the inventory type can be recalculated. The City should maintain support for the price per unit for each inventory category included on the listing.

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

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LISA M. BAUMAN, AUDITOR

THE CITY OF TORONTO, OHIO

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2018

Finding Number	Finding Summary	Status	Additional Information
2017-001	Per ORC 5705.39 Appropriations exceeded Estimated resources	Fully corrected	
2017-002`	City does not have a complete capital asset listing and inventory evaluation over all capital assets. There is no accounting system in place to capture purchase depreciation of assets and no written policy exists regarding capital assets.	Partially corrected	The City of Toronto is in the process of developing a written capital asset policy to establish the thresh hold amount of $5000. Also we are working on including water & sewer lines in the capital asset appraisal.
2017-003	Water department failed to prepare accurate inventory records.	Not corrected	The city will ensure the inventory is calculated using a supported per unit price
2017-004	Inaccurate posting of transaction	Not fully corrected	The city will ensure the inventory is calculated properly.

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OHIO AUDITOR OF STATE
KEITH FABER

CITY OF TORONTO

JEFFERSON COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
NOVEMBER 7, 2019