



Rea & associates *a brighter way*

City of Upper Sandusky Wyandot County, Ohio

Audited Financial Statements

For the Year Ended
December 31, 2014



Dave Yost • Auditor of State

City Council
City of Upper Sandusky
119 North 7th Street
Upper Sandusky, OH 43351

We have reviewed the *Independent Auditor's Report* of the City of Upper Sandusky, Wyandot County, prepared by Rea & Associates, Inc., for the audit period January 1, 2014 through December 31, 2014. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

October 16, 2015

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City of Upper Sandusky
Wyandot County, Ohio
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June 26, 2015

To the Honorable Mayor and City Council
City of Upper Sandusky
Wyandot County, Ohio
119 North 7th Street
Upper Sandusky, OH 43351

Independent Auditor's Report

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 Upper Sandusky, Wyandot County, Ohio, (the City) as of and for the year ended December 31, 2014, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers 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 for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Upper Sandusky, Wyandot County, Ohio, as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *Management's Discussion and Analysis* on pages 3–9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion 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.

Rea & Associates, Inc.

Medina, Ohio

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

The discussion and analysis of the City of Upper Sandusky's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2014. 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 2014 are as follows:

- In total, net position increased \$1,131,232, which represents 3% increase from 2013. Net position of governmental activities increased \$136,227. Net position of business-type activities increased \$995,005.
- Total capital assets increased \$823,858 in 2014. Capital assets of governmental activities decreased \$164,260 and capital assets of business-type activities increased \$988,118.
- Outstanding debt increased from \$22,026,569 to \$22,488,972 due to net of loan proceeds from Ohio Water District Authority, Ohio Public Works Commission, bond for fire truck, and principal payments made during the year.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the City of Upper Sandusky 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 2014 and how they affected the operations of the City as a whole.

Reporting the City of Upper Sandusky 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 Upper Sandusky, the general fund is by far the most significant fund. Business-type funds consist of the water, sewer and sanitation funds.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

A question typically asked about the City's finances "How did we do financially during 2014?" 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 and economic 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 sanitation funds are reported as business activities.

Reporting the City of Upper Sandusky's Most Significant Funds

Fund Financial Statements

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

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

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

The City of Upper Sandusky 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 2014 compared to 2013:

Table 1
Net Position

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--------------------------------------|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| <i>Assets:</i> | | | | | | |
| Current and Other Assets | \$ 4,397,010 | \$ 4,065,201 | \$ 3,837,668 | \$ 3,353,154 | \$ 8,234,678 | \$ 7,418,355 |
| Capital Assets, Net | 20,183,370 | 20,347,630 | 34,082,492 | 33,094,374 | 54,265,862 | 53,442,004 |
| <i>Total Assets</i> | 24,580,380 | 24,412,831 | 37,920,160 | 36,447,528 | 62,500,540 | 60,860,359 |
| <i>Liabilities:</i> | | | | | | |
| Current and Other Liabilities | 287,050 | 229,205 | 430,879 | 445,039 | 717,929 | 674,244 |
| Long-Term Liabilities | 4,909,163 | 4,944,686 | 17,815,146 | 17,323,359 | 22,724,309 | 22,268,045 |
| <i>Total Liabilities</i> | 5,196,213 | 5,173,891 | 18,246,025 | 17,768,398 | 23,442,238 | 22,942,289 |
| <i>Deferred Inflows of Resources</i> | 277,000 | 268,000 | 0 | 0 | 277,000 | 268,000 |
| <i>Net Position:</i> | | | | | | |
| Net Investment in | | | | | | |
| Capital Assets | 19,682,205 | 20,322,924 | 16,284,176 | 15,537,799 | 31,742,240 | 31,106,909 * |
| Restricted | 1,008,130 | 899,288 | 0 | 0 | 1,008,130 | 899,288 |
| Unrestricted | (1,583,168) | (2,251,272) | 3,389,959 | 3,141,331 | 6,030,932 | 5,643,873 |
| <i>Total Net Position</i> | \$19,107,167 | \$18,970,940 | \$19,674,135 | \$18,679,130 | \$38,781,302 | \$37,650,070 |

*Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the net investment in capital assets for the governmental or business-type activities, but has been reflected in the entity-wide total. See Note 10.

At year end, capital assets represented 87% of total assets. Capital assets include, land, buildings and improvements, machinery and equipment, infrastructure, vehicles and construction in progress. Net investment in capital assets for governmental activities was \$19,682,205, and \$16,284,176 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 of governmental activities, \$1,008,130 or 3%, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of the governmental activities \$(1,583,168) and \$3,389,959 of the business-type activities may be used to meet the government's ongoing obligations to citizens and creditors.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

The net increase in current and long term liabilities of \$499,949 can be attributed to an increase in accounts payable associated with the waterline project and to the final debt incurred for various waterline projects and a fire truck, net of principal payments on outstanding debt.

Table 2 shows the changes in net position for fiscal year 2014 and 2013.

Table 2
Changes in Net Position

| | Governmental Activities | | Business-Type Activities | | Total | |
|----------------------------------|-------------------------|-------------------|--------------------------|------------------|---------------------|-------------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| <i>Revenues</i> | | | | | | |
| <i>Program Revenues:</i> | | | | | | |
| Charges for Services | \$ 1,141,121 | \$ 1,231,073 | \$ 5,038,672 | \$ 4,891,786 | \$ 6,179,793 | \$ 6,122,859 |
| Operating Grants | 403,725 | 427,543 | 0 | 0 | 403,725 | 427,543 |
| Capital Grants and Contributions | 612,126 | 0 | 684,247 | 0 | 1,296,373 | 0 |
| <i>General Revenues:</i> | | | | | | |
| Property and Income Taxes | 3,439,658 | 3,059,170 | 0 | 0 | 3,439,658 | 3,059,170 |
| Grants and Entitlements | 320,075 | 434,729 | 0 | 0 | 320,075 | 434,729 |
| Investment Earnings | 3,822 | 834 | 0 | 0 | 3,822 | 834 |
| Other | 184,500 | 4,512 | 51,512 | 45,074 | 236,012 | 49,586 |
| <i>Total Revenues</i> | <u>6,105,027</u> | <u>5,157,861</u> | <u>5,774,431</u> | <u>4,936,860</u> | <u>11,879,458</u> | <u>10,094,721</u> |
| <i>Program Expenses:</i> | | | | | | |
| General Government - Legislative | 876,797 | 952,869 | 0 | 0 | 876,797 | 952,869 |
| General Government - Judicial | 801,365 | 811,736 | 0 | 0 | 801,365 | 811,736 |
| Security of Persons and Property | 2,085,667 | 1,863,822 | 0 | 0 | 2,085,667 | 1,863,822 |
| Public Health and Welfare | 32,440 | 32,475 | 0 | 0 | 32,440 | 32,475 |
| Transportation | 1,838,655 | 1,111,901 | 0 | 0 | 1,838,655 | 1,111,901 |
| Community Environment | 110,451 | 66,839 | 0 | 0 | 110,451 | 66,839 |
| Basic Utilities | 0 | 3,575 | 0 | 0 | 0 | 3,575 |
| Leisure Time Activities | 670,634 | 593,429 | 0 | 0 | 670,634 | 593,429 |
| Interest and Fiscal Charges | 179,293 | 207,513 | 0 | 0 | 179,293 | 207,513 |
| Water | 0 | 0 | 2,186,633 | 2,545,720 | 2,186,633 | 2,545,720 |
| Sewer | 0 | 0 | 1,248,484 | 1,006,181 | 1,248,484 | 1,006,181 |
| Sanitation | 0 | 0 | 717,807 | 668,046 | 717,807 | 668,046 |
| <i>Total Expenses</i> | <u>6,595,302</u> | <u>5,644,159</u> | <u>4,152,924</u> | <u>4,219,947</u> | <u>10,748,226</u> | <u>9,864,106</u> |
| Transfers | 626,502 | 653,121 | (626,502) | (653,121) | 0 | 0 |
| Change in Net Position | <u>\$ 136,227</u> | <u>\$ 166,823</u> | <u>\$ 995,005</u> | <u>\$ 63,792</u> | <u>\$ 1,131,232</u> | <u>\$ 230,615</u> |

Governmental Activities

The unique nature of property taxes in Ohio creates the need to routinely seek voter approval for operating funds. The overall revenue generated by a levy will not increase solely as a result of inflation. As an example, a homeowner with a home valued at \$100,000 and taxed at 1.0 mill would pay \$35.00 annually in taxes.

If three years later the home was reappraised and increased to \$200,000 (and this inflationary increase in value is still comparable to other property owners) the effective tax rate would become 0.5 mills and the owner would still pay \$35.00.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

The increase in revenues in the governmental activities can be attributed to an increase in grants for road improvement projects as well as an increase for income taxes collected. The increase in revenues for the business type activities can be attributed to an increase in funds for waterline projects and sewer projects. The increase in expenses can be attributed to an increase in transportation related to various road repairs and maintenance, an increase in security due to an increase in wages and benefits.

A city that is dependent upon municipal income taxes and property taxes that is hampered by a lack of revenue growth must regularly return to the voters to maintain a constant level of service. Municipal income taxes and property taxes made up 56% of revenues for governmental activities in calendar year 2014.

General Government Legislative, Judicial and Executive comprise 25% of governmental program expenses while the Security of Persons program was 32%. Interest expense was 3%. Interest expense was attributable to the outstanding bonds and borrowing for capital projects.

Business-Type Activities

Business-type activities include water, sewer and sanitation operations. The revenues are generated primarily from charges for services. In 2014, charges for services of \$5,038,672 accounted for 87%, capital contributions of \$684,247 accounted for 12% and miscellaneous revenue of \$51,512 accounted for 1% of the business type revenues. The total expenses and transfers out were \$4,779,426, thus leaving an increase in net position of \$995,005 for the business-type activities. The net increase in net position of business-type activities can be attributed to contributed capital for waterline and sewer system projects.

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 14. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$5,945,212 and expenditures of \$7,018,931. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The general fund's net change in fund balance for fiscal year 2014 was a decrease of \$98,471. There was no significant reason for this decrease.

The fund balance of the capital improvement fund increased \$102,657. This increase can be attributed to an increase in grants partially offset by capital improvements.

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.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

Unrestricted net position of the water fund at the end of the year amounted to \$1,929,912, the unrestricted net position of the sewer fund was \$807,818, and the unrestricted net position of the sanitation fund was \$652,229. The total change in net position for these funds was \$685,544, \$206,382, and \$103,079, respectively. 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 2014, 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.

For the general fund, the actual budget basis revenue was \$3,774,771, representing a decrease of \$1,018 over the final budget estimate of \$3,775,789.

Final expenditure appropriations of \$4,024,018 were \$35,735 overestimated compared to actual expenditures of \$3,988,283. This can be attributed to a decrease in expenditures in security of persons and property, namely police and fire.

Final budget basis revenue was \$781,001 higher than the original budget basis of \$2,994,788 due to an increase in municipal tax collections, along with final expenditure appropriations being \$540,645 higher than the original expenditure appropriations due to having additional funds available to be used.

Capital Assets and Debt Administration

Capital Assets

At the end of year 2014, the City had \$54,265,862 invested in capital assets. A total of \$20,183,370 of this was for governmental activities and \$34,082,492 being attributable to business-type activities. Table 3 shows fiscal year 2014 balances compared with 2013.

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

| | Governmental Activities | | Business-Type Activities | | Totals | |
|-----------------------------|-------------------------|--------------|--------------------------|--------------|--------------|--------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| Land | \$ 788,900 | \$ 788,900 | \$ 0 | \$ 0 | \$ 788,900 | \$ 788,900 |
| Construction in Progress | 0 | 58,421 | 474,776 | 1,697,153 | 474,776 | 1,755,574 |
| Buildings and Improvements | 2,276,404 | 2,529,872 | 17,049,371 | 17,475,308 | 19,325,775 | 20,005,180 |
| Machinery and Equipment | 537,988 | 513,100 | 377,956 | 387,650 | 915,944 | 900,750 |
| Vehicles | 822,782 | 408,268 | 301,854 | 386,107 | 1,124,636 | 794,375 |
| Infrastructure | 15,757,296 | 16,049,069 | 15,878,535 | 13,148,156 | 31,635,831 | 29,197,225 |
| <i>Total Capital Assets</i> | \$20,183,370 | \$20,347,630 | \$34,082,492 | \$33,094,374 | \$54,265,862 | \$53,442,004 |

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2014
(Unaudited)

The \$164,260 decrease in capital assets of governmental activities was attributable to current year depreciation exceeding additional purchases. The \$988,118 increase in capital assets of business-type activities is due to additional purchases exceeding current year depreciation, the decrease in construction in progress is related to improvements in waterlines and storm sewer separation capitalized this year. See Note 8 for additional information about the capital assets of the City.

Debt

The outstanding debt for the City as of December 31, 2014 was \$22,488,972. See Note 10 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

| | Governmental Activities | | Business-Type Activities | | Total | |
|-----------------------|-------------------------|--------------|--------------------------|---------------|---------------|---------------|
| | 2014 | 2013 | 2014 | 2013 | 2014 | 2013 |
| OWDA Loans Payable | \$ 3,428,050 | \$ 3,884,023 | \$ 16,509,208 | \$ 16,156,479 | \$ 19,937,258 | \$ 20,040,502 |
| OPWC Loans Payable | 442,091 | 493,790 | 1,254,458 | 1,026,242 | 1,696,549 | 1,520,032 |
| Bonds | 769,875 | 376,000 | 0 | 0 | 769,875 | 376,000 |
| Capital Lease Payable | 85,290 | 21,593 | 0 | 68,442 | 85,290 | 90,035 |
| | \$ 4,725,306 | \$ 4,775,406 | \$ 17,763,666 | \$ 17,251,163 | \$ 22,488,972 | \$ 22,026,569 |

Economic Factors

The City has seen a 12% increase in 2013 over 2012 in income tax revenue and a 7% increase in 2014 over 2013. As in prior years we still rely heavily on the income tax revenue and will find it necessary to keep expenditures no higher than the 2013 level but as always provide basic services to its citizens.

We have raised utility rates and continue to use rate studies to be sure we are keeping up with necessary increase in order to provide the services the citizens are accustomed.

As in years past, the City has committed itself to financial excellence and will do the same in the future.

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 Mark Droll, Auditor of City of Upper Sandusky, 119 N. 7th Street, Upper Sandusky, Ohio 43351 or 419-294-3988.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Net Position
December 31, 2014

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|----------------------|
| Assets | | | |
| Equity in Pooled Cash and Investments | \$ 2,298,030 | \$ 2,615,095 | \$ 4,913,125 |
| Receivables: | | | |
| Taxes | 1,283,477 | 0 | 1,283,477 |
| Accounts | 89,261 | 697,838 | 787,099 |
| Due From Other Governments | 345,958 | 434,247 | 780,205 |
| Materials and Supplies Inventory | 48,001 | 90,488 | 138,489 |
| Notes Receivable | 332,283 | 0 | 332,283 |
| Nondepreciable Capital Assets | 788,900 | 474,776 | 1,263,676 |
| Depreciable Capital Assets, Net | 19,394,470 | 33,607,716 | 53,002,186 |
| <i>Total Assets</i> | <u>24,580,380</u> | <u>37,920,160</u> | <u>62,500,540</u> |
| Liabilities | | | |
| Accounts Payable | 86,955 | 337,334 | 424,289 |
| Contracts Payable | 1,155 | 34,650 | 35,805 |
| Accrued Salaries, Wages and Benefits | 76,522 | 25,822 | 102,344 |
| Due to Other Governments | 104,604 | 33,073 | 137,677 |
| Accrued Interest Payable | 17,814 | 0 | 17,814 |
| Long-Term Liabilities: | | | |
| Due Within One Year | 662,333 | 542,188 | 1,204,521 |
| Due In More Than One Year | 4,246,830 | 17,272,958 | 21,519,788 |
| <i>Total Liabilities</i> | <u>5,196,213</u> | <u>18,246,025</u> | <u>23,442,238</u> |
| Deferred Inflows of Resources | | | |
| Property Taxes Levied for the Next Year | 277,000 | 0 | 277,000 |
| Net Position | | | |
| Net Investment in Capital Assets | 19,682,205 | 16,284,176 | 31,742,240 * |
| Restricted for: | | | |
| Other Purposes | 596,439 | 0 | 596,439 |
| Capital Projects | 411,691 | 0 | 411,691 |
| Unrestricted | (1,583,168) | 3,389,959 | 6,030,932 |
| <i>Total Net Position</i> | <u>\$ 19,107,167</u> | <u>\$ 19,674,135</u> | <u>\$ 38,781,302</u> |

*Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the net investment in capital assets for the governmental or business-type activities, but has been reflected in the entity-wide total. See Note 10.

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Activities
For the Year Ended December 31, 2014

| | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Position | | |
|---|----------------------|-----------------------------------|---|--|--|-----------------------------|----------------------|
| | Expenses | Charges for Services and Sales | Operating Grants, Contributions, and Interest | Capital Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Governmental Activities: | | | | | | | |
| General Government: | | | | | | | |
| Legislative and Executive | \$ 876,797 | \$ 133,498 | \$ 0 | \$ 0 | \$ (743,299) | \$ 0 | \$ (743,299) |
| Judicial | 801,365 | 942,205 | 1,680 | 0 | 142,520 | 0 | 142,520 |
| Security of Persons and Property | 2,085,667 | 29,494 | 0 | 0 | (2,056,173) | 0 | (2,056,173) |
| Public Health and Welfare | 32,440 | 0 | 0 | 0 | (32,440) | 0 | (32,440) |
| Transportation | 1,838,655 | 0 | 376,530 | 612,126 | (849,999) | 0 | (849,999) |
| Community Environment | 110,451 | 0 | 9,687 | 0 | (100,764) | 0 | (100,764) |
| Leisure Time Activities | 670,634 | 35,924 | 15,828 | 0 | (618,882) | 0 | (618,882) |
| Interest and Fiscal Charges | 179,293 | 0 | 0 | 0 | (179,293) | 0 | (179,293) |
| <i>Total Governmental Activities</i> | <u>6,595,302</u> | <u>1,141,121</u> | <u>403,725</u> | <u>612,126</u> | <u>(4,438,330)</u> | <u>0</u> | <u>(4,438,330)</u> |
| Business-Type Activities | | | | | | | |
| Water | 2,186,633 | 2,804,620 | 0 | 553,251 | 0 | 1,171,238 | 1,171,238 |
| Sewer | 1,248,484 | 1,436,482 | 0 | 130,996 | 0 | 318,994 | 318,994 |
| Sanitation | 717,807 | 797,570 | 0 | 0 | 0 | 79,763 | 79,763 |
| <i>Total Business-Type Activities</i> | <u>4,152,924</u> | <u>5,038,672</u> | <u>0</u> | <u>684,247</u> | <u>0</u> | <u>1,569,995</u> | <u>1,569,995</u> |
| <i>Total Primary Government</i> | <u>\$ 10,748,226</u> | <u>\$ 6,179,793</u> | <u>\$ 403,725</u> | <u>\$ 1,296,373</u> | <u>(4,438,330)</u> | <u>1,569,995</u> | <u>(2,868,335)</u> |
| General Revenues | | | | | | | |
| Taxes: | | | | | | | |
| Municipal Income Tax | | | | | | | |
| General Purpose | | | | | 2,228,958 | 0 | 2,228,958 |
| Parks and Recreations | | | | | 563,923 | 0 | 563,923 |
| Capital Improvements | | | | | 386,596 | 0 | 386,596 |
| Property Taxes, Levied for General Purposes | | | | | 260,181 | 0 | 260,181 |
| Grants and Entitlements not Restricted to Specific Programs | | | | | 320,075 | 0 | 320,075 |
| Interest and Investment Earnings | | | | | 3,822 | 0 | 3,822 |
| Miscellaneous | | | | | 184,500 | 51,512 | 236,012 |
| <i>Total General Revenues</i> | | | | | <u>3,948,055</u> | <u>51,512</u> | <u>3,999,567</u> |
| Transfers | | | | | 626,502 | (626,502) | 0 |
| <i>Change in Net Position</i> | | | | | <u>136,227</u> | <u>995,005</u> | <u>1,131,232</u> |
| <i>Net Position Beginning of Year</i> | | | | | <u>18,970,940</u> | <u>18,679,130</u> | <u>37,650,070</u> |
| <i>Net Position End of Year</i> | | | | | <u>\$ 19,107,167</u> | <u>\$ 19,674,135</u> | <u>\$ 38,781,302</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Balance Sheet
Governmental Funds
December 31, 2014

| | General | Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------------|--------------------------------|--------------------------------|
| Assets | | | | |
| Equity in Pooled Cash and Investments | \$ 1,000,545 | \$ 190,094 | \$ 1,107,391 | \$ 2,298,030 |
| Receivables: | | | | |
| Taxes | 1,021,208 | 106,366 | 155,903 | 1,283,477 |
| Accounts | 61,908 | 0 | 27,353 | 89,261 |
| Due From Other Governments | 138,411 | 57,299 | 150,248 | 345,958 |
| Materials and Supplies Inventory | 1,814 | 0 | 46,187 | 48,001 |
| Notes Receivable | 0 | 0 | 332,283 | 332,283 |
| <i>Total Assets</i> | <u>\$ 2,223,886</u> | <u>\$ 353,759</u> | <u>\$ 1,819,365</u> | <u>\$ 4,397,010</u> |
| Liabilities | | | | |
| Accounts Payable | \$ 73,109 | \$ 0 | \$ 13,846 | \$ 86,955 |
| Contracts Payable | 712 | 443 | 0 | 1,155 |
| Accrued Salaries, Wages and Benefits | 66,769 | 0 | 9,753 | 76,522 |
| Due to Other Governments | 79,493 | 0 | 25,111 | 104,604 |
| <i>Total Liabilities</i> | <u>220,083</u> | <u>443</u> | <u>48,710</u> | <u>269,236</u> |
| Deferred Inflows of Resources | | | | |
| Property Taxes Levied for the Next Year | 277,000 | 0 | 0 | 277,000 |
| Unavailable Revenue | 638,332 | 77,436 | 237,545 | 953,313 |
| <i>Total Deferred Inflows of Resources</i> | <u>915,332</u> | <u>77,436</u> | <u>237,545</u> | <u>1,230,313</u> |
| Fund Balances | | | | |
| Nonspendable | 1,814 | 0 | 46,187 | 48,001 |
| Restricted | 0 | 275,880 | 1,269,020 | 1,544,900 |
| Committed | 0 | 0 | 217,903 | 217,903 |
| Assigned | 641,375 | 0 | 0 | 641,375 |
| Unassigned | 445,282 | 0 | 0 | 445,282 |
| <i>Total Fund Balances</i> | <u>1,088,471</u> | <u>275,880</u> | <u>1,533,110</u> | <u>2,897,461</u> |
| <i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i> | <u>\$ 2,223,886</u> | <u>\$ 353,759</u> | <u>\$ 1,819,365</u> | <u>\$ 4,397,010</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2014

| | | |
|--|-------------|----------------------|
| Total Governmental Fund Balances | | \$ 2,897,461 |
| <i>Amounts reported for governmental activities in the statement of net position are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 20,183,370 |
| Other long-term assets are not available to pay for current- period expenditures and therefore are deferred in the funds. | | |
| Municipal Income Taxes | \$ 703,962 | |
| Property Taxes | 7,123 | |
| Accounts | 3,719 | |
| Intergovernmental | 238,509 | 953,313 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Accrued Interest Payable | (17,814) | |
| Compensated Absences Payable | (183,857) | |
| Loans Payable | (3,870,141) | |
| Bonds Payable | (769,875) | |
| Capital Lease Payable | (85,290) | (4,926,977) |
| Net Position of Governmental Activities | | \$ 19,107,167 |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2014

| | General | Capital Improvements | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-------------------------|--------------------------------|--------------------------------|
| Revenues | | | | |
| Municipal Income Tax | \$ 2,245,751 | \$ 309,160 | \$ 452,478 | \$ 3,007,389 |
| Property and Other Taxes | 299,354 | 0 | 19,819 | 319,173 |
| Intergovernmental | 291,096 | 612,126 | 348,700 | 1,251,922 |
| Investment Income | 3,822 | 0 | 11,367 | 15,189 |
| Licenses and Permits | 82,255 | 0 | 0 | 82,255 |
| Fines and Forfeitures | 638,557 | 0 | 327,368 | 965,925 |
| Charges for Services | 58,417 | 0 | 31,703 | 90,120 |
| Other | 114,369 | 0 | 98,870 | 213,239 |
| <i>Total Revenues</i> | <u>3,733,621</u> | <u>921,286</u> | <u>1,290,305</u> | <u>5,945,212</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | | | | |
| Legislative and Executive | 862,886 | 0 | 0 | 862,886 |
| Judicial | 596,964 | 0 | 214,674 | 811,638 |
| Security of Persons and Property | 2,477,346 | 0 | 0 | 2,477,346 |
| Public Health and Welfare | 32,440 | 0 | 0 | 32,440 |
| Community Environment | 91,858 | 0 | 11,796 | 103,654 |
| Leisure Time Activities | 0 | 0 | 495,857 | 495,857 |
| Transportation | 0 | 0 | 415,091 | 415,091 |
| Capital Outlay | 0 | 1,051,472 | 0 | 1,051,472 |
| Debt Service: | | | | |
| Principal Retirement | 56,332 | 529,672 | 11,865 | 597,869 |
| Interest and Fiscal Charges | 1,079 | 169,599 | 0 | 170,678 |
| <i>Total Expenditures</i> | <u>4,118,905</u> | <u>1,750,743</u> | <u>1,149,283</u> | <u>7,018,931</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | (385,284) | (829,457) | 141,022 | (1,073,719) |
| Other Financing Sources (Uses) | | | | |
| Issuance of Bond | 415,875 | 0 | 0 | 415,875 |
| Premium on Issuance of Bonds | 483 | 0 | 0 | 483 |
| Inception of Capital Lease | 98,429 | 0 | 33,465 | 131,894 |
| Transfers In | 100,000 | 932,114 | 22,362 | 1,054,476 |
| Transfers Out | (327,974) | 0 | (100,000) | (427,974) |
| <i>Total Other Financing Sources (Uses)</i> | <u>286,813</u> | <u>932,114</u> | <u>(44,173)</u> | <u>1,174,754</u> |
| <i>Net Change in Fund Balances</i> | (98,471) | 102,657 | 96,849 | 101,035 |
| <i>Fund Balances, Beginning of Year</i> | 1,186,512 | 173,223 | 1,423,479 | 2,783,214 |
| Change in Reserve for Inventory | 430 | 0 | 12,782 | 13,212 |
| <i>Fund Balances, End of Year</i> | <u>\$ 1,088,471</u> | <u>\$ 275,880</u> | <u>\$ 1,533,110</u> | <u>\$ 2,897,461</u> |

See accompanying notes to the basic financial statements.

**City of Upper Sandusky
Wyandot 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, 2014*

| | | |
|--|------------------|---------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ | 114,247 |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital asset additions in the current period. | | |
| Capital Asset Additions | \$ 782,603 | |
| Depreciation | <u>(946,863)</u> | (164,260) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Municipal Income Taxes | 167,805 | |
| Property Taxes | (1,030) | |
| Accounts | (4,290) | |
| Intergovernmental | <u>(3,153)</u> | 159,332 |
| Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. | | |
| Bond Principal | 22,000 | |
| Capital Lease | 68,197 | |
| Loan Principal | <u>507,672</u> | 597,869 |
| Debt proceeds issued in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues. | | |
| General Bond Obligations | (415,875) | |
| Capital Leases | <u>(131,894)</u> | (547,769) |
| In the statement of activities interest is accrued on outstanding bonds, whereas in governmental funds, interest is expensed when due. | | |
| | | (8,615) |
| Some expenses reported in the statement of activities do not use the current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| Compensated Absences | | <u>(14,577)</u> |
| <i>Change in Net Position of Governmental Activities</i> | \$ | <u><u>136,227</u></u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot 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, 2014

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|-------------------|-------------------|-------------------|---|
| | Original | Final | Actual | |
| Revenues | | | | |
| Municipal Income Taxes | \$ 1,824,704 | \$ 2,300,562 | \$ 2,299,942 | \$ (620) |
| Intergovernmental Revenue | 230,953 | 291,183 | 291,104 | (79) |
| Investment Income | 3,032 | 3,823 | 3,822 | (1) |
| Licenses and Permits | 66,968 | 84,433 | 84,410 | (23) |
| Fines and Forfeitures | 509,673 | 642,588 | 642,415 | (173) |
| Charges for Services | 46,332 | 58,415 | 58,399 | (16) |
| Property and Other Taxes | 220,948 | 278,568 | 278,493 | (75) |
| Miscellaneous | 92,178 | 116,217 | 116,186 | (31) |
| <i>Total Revenues</i> | <u>2,994,788</u> | <u>3,775,789</u> | <u>3,774,771</u> | <u>(1,018)</u> |
| Expenditures | | | | |
| Current: | | | | |
| General Government | | | | |
| Legislative and Executive | 751,022 | 867,586 | 865,804 | 1,782 |
| Judicial | 518,036 | 598,439 | 592,002 | 6,437 |
| Security of Persons and Property | 2,056,872 | 2,376,113 | 2,350,554 | 25,559 |
| Public Health and Welfare | 28,387 | 32,793 | 32,440 | 353 |
| Community Environment | 78,818 | 91,051 | 90,072 | 979 |
| Debt Service: | | | | |
| Principal Retirement | 49,294 | 56,945 | 56,332 | 613 |
| Interest and Fiscal Charges | 944 | 1,091 | 1,079 | 12 |
| <i>Total Expenditures</i> | <u>3,483,373</u> | <u>4,024,018</u> | <u>3,988,283</u> | <u>35,735</u> |
| <i>Excess of Revenues Over (Under) Expenditures</i> | <u>(488,585)</u> | <u>(248,229)</u> | <u>(213,512)</u> | <u>34,717</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 100,000 | 100,000 | 100,000 | 0 |
| Bond Issued | 415,875 | 415,875 | 415,875 | 0 |
| Premium on Bond Issued | 483 | 483 | 483 | 0 |
| Transfers Out | (327,974) | (327,974) | (327,974) | 0 |
| <i>Total Other Financing Sources (Uses)</i> | <u>188,384</u> | <u>188,384</u> | <u>188,384</u> | <u>0</u> |
| <i>Net Change in Fund Balance</i> | (300,201) | (59,845) | (25,128) | 34,717 |
| <i>Fund Balance Beginning of Year</i> | 1,018,223 | 1,018,223 | 1,018,223 | 0 |
| <i>Fund Balance End of Year</i> | <u>\$ 718,022</u> | <u>\$ 958,378</u> | <u>\$ 993,095</u> | <u>\$ 34,717</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2014

| | Business-Type Activities - Enterprise Funds | | | |
|---|---|---------------------|-------------------|----------------------|
| | Water | Sewer | Sanitation | Total |
| Assets | | | | |
| <i>Current Assets</i> | | | | |
| Equity in Pooled Cash and Investments | \$ 1,465,908 | \$ 562,086 | \$ 587,101 | \$ 2,615,095 |
| Receivables: | | | | |
| Accounts | 393,759 | 190,686 | 113,393 | 697,838 |
| Materials and Supplies Inventory | 84,242 | 6,246 | 0 | 90,488 |
| Due from Other Governments | 303,251 | 130,996 | 0 | 434,247 |
| <i>Total Current Assets</i> | <u>2,247,160</u> | <u>890,014</u> | <u>700,494</u> | <u>3,837,668</u> |
| <i>Non Current Assets:</i> | | | | |
| Nondepreciable Capital Assets | 0 | 474,776 | 0 | 474,776 |
| Depreciable Capital Assets, Net of Depreciation | 28,535,328 | 4,785,692 | 286,696 | 33,607,716 |
| <i>Total Non Current Assets</i> | <u>28,535,328</u> | <u>5,260,468</u> | <u>286,696</u> | <u>34,082,492</u> |
| <i>Total Assets</i> | <u>30,782,488</u> | <u>6,150,482</u> | <u>987,190</u> | <u>37,920,160</u> |
| Liabilities | | | | |
| <i>Current Liabilities</i> | | | | |
| Accounts Payable | 267,504 | 39,924 | 29,906 | 337,334 |
| Contracts Payable | 0 | 34,650 | 0 | 34,650 |
| Accrued Salaries, Wages and Benefits | 13,540 | 6,394 | 5,888 | 25,822 |
| Due to Other Governments | 13,609 | 13,926 | 5,538 | 33,073 |
| OWDA Loans Payable, Current Portion | 434,692 | 20,253 | 0 | 454,945 |
| OPWC Loans Payable, Current Portion | 42,093 | 0 | 0 | 42,093 |
| Compensated Absences | 20,262 | 17,955 | 6,933 | 45,150 |
| <i>Total Current Liabilities</i> | <u>791,700</u> | <u>133,102</u> | <u>48,265</u> | <u>973,067</u> |
| <i>Long Term Liabilities</i> | | | | |
| Compensated Absences | 2,333 | 3,997 | 0 | 6,330 |
| OWDA Loan Payable, Net of Current Portion | 15,738,702 | 315,561 | 0 | 16,054,263 |
| OPWC Loan Payable, Net of Current Portion | 1,212,365 | 0 | 0 | 1,212,365 |
| <i>Total Long Term Liabilities</i> | <u>16,953,400</u> | <u>319,558</u> | <u>0</u> | <u>17,272,958</u> |
| <i>Total Liabilities</i> | <u>17,745,100</u> | <u>452,660</u> | <u>48,265</u> | <u>18,246,025</u> |
| Net Position | | | | |
| Net Investment in Capital Assets | 11,107,476 | 4,890,004 | 286,696 | 16,284,176 * |
| Unrestricted | 1,929,912 | 807,818 | 652,229 | 3,389,959 |
| <i>Total Net Position</i> | <u>\$ 13,037,388</u> | <u>\$ 5,697,822</u> | <u>\$ 938,925</u> | <u>\$ 19,674,135</u> |

*Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the net investment in capital assets for the governmental or business-type activities, but has been reflected in the entity-wide total. See Note 10.

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2014

| | Business-Type Activities - Enterprise Funds | | | Total |
|---|---|---------------------|-------------------|----------------------|
| | Water | Sewer | Sanitation | |
| Operating Revenues | | | | |
| Charges for Services | \$ 2,804,620 | \$ 1,436,482 | \$ 797,570 | \$ 5,038,672 |
| Operating Expenses | | | | |
| Personal Services | 618,990 | 390,556 | 314,957 | 1,324,503 |
| Contractual Services | 101,619 | 430,451 | 240,459 | 772,529 |
| Materials and Supplies | 93,428 | 192,531 | 86,254 | 372,213 |
| Other Operating Expenses | 8,539 | 1,025 | 231 | 9,795 |
| Depreciation | 852,349 | 233,228 | 75,654 | 1,161,231 |
| <i>Total Operating Expenses</i> | <u>1,674,925</u> | <u>1,247,791</u> | <u>717,555</u> | <u>3,640,271</u> |
| <i>Operating Income (Loss)</i> | 1,129,695 | 188,691 | 80,015 | 1,398,401 |
| Non Operating Revenues (Expenses) | | | | |
| Other Non-Operating Revenue | 14,336 | 13,860 | 23,316 | 51,512 |
| Interest | (511,708) | (693) | (252) | (512,653) |
| <i>Total Non-Operating Revenues (Expenses)</i> | <u>(497,372)</u> | <u>13,167</u> | <u>23,064</u> | <u>(461,141)</u> |
| <i>Income (Loss) Before Capital Contributions and Transfers</i> | 632,323 | 201,858 | 103,079 | 937,260 |
| Capital Contributions | 553,251 | 130,996 | 0 | 684,247 |
| Transfers Out | (500,030) | (126,472) | 0 | (626,502) |
| <i>Total Capital Contributions and Transfers</i> | <u>53,221</u> | <u>4,524</u> | <u>0</u> | <u>57,745</u> |
| <i>Change in Net Position</i> | 685,544 | 206,382 | 103,079 | 995,005 |
| <i>Net Position at Beginning of Year</i> | 12,351,844 | 5,491,440 | 835,846 | 18,679,130 |
| <i>Net Position at the End of the Year</i> | <u>\$ 13,037,388</u> | <u>\$ 5,697,822</u> | <u>\$ 938,925</u> | <u>\$ 19,674,135</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2014

| | Business-Type Activities - Enterprise Funds | | | |
|--|---|-------------------|-------------------|---------------------|
| | Water | Sewer | Sanitation | Total |
| Cash Flows From Operating Activities | | | | |
| Cash Received from Customers | \$ 2,789,339 | \$ 1,439,600 | \$ 793,041 | \$ 5,021,980 |
| Cash Paid for Goods and Services | (408,562) | (605,853) | (324,555) | (1,338,970) |
| Cash Paid to Employees | (633,688) | (386,027) | (324,692) | (1,344,407) |
| Net Cash Provided By (Used For) Operating Activities | <u>1,747,089</u> | <u>447,720</u> | <u>143,794</u> | <u>2,338,603</u> |
| Cash Flows From Non-Capital Financing Activities | | | | |
| Other Income | 14,336 | 13,860 | 23,316 | 51,512 |
| Net Cash Provided By (Used For) Non-Capital Financing Activities | <u>14,336</u> | <u>13,860</u> | <u>23,316</u> | <u>51,512</u> |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Purchase of Capital Assets | (1,498,448) | (488,269) | 0 | (1,986,717) |
| Capital Contributions | 250,000 | 0 | 0 | 250,000 |
| Proceeds from OPWC Loans | 236,549 | 0 | 0 | 236,549 |
| Proceeds from OWDA Loans | 705,570 | 11,960 | 0 | 717,530 |
| Principal Payments on OWDA Loans | (344,547) | (20,254) | 0 | (364,801) |
| Principal Payments on OPWC Loans | (8,333) | 0 | 0 | (8,333) |
| Principal Payments on Capital Lease | (17,110) | (34,222) | (17,110) | (68,442) |
| Transfers Out for Capital Debt Retirement | (500,030) | (126,472) | 0 | (626,502) |
| Interest Paid on Bonds, Notes, Loans | (512,101) | (1,481) | (645) | (514,227) |
| Net Cash Provided By (Used For) Capital and Related Financing Activities | <u>(1,688,450)</u> | <u>(658,738)</u> | <u>(17,755)</u> | <u>(2,364,943)</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 72,975 | (197,158) | 149,355 | 25,172 |
| Cash and Cash Equivalents at Beginning of Year | <u>1,392,933</u> | <u>759,244</u> | <u>437,746</u> | <u>2,589,923</u> |
| Cash and Cash Equivalents at End of Year | <u>\$ 1,465,908</u> | <u>\$ 562,086</u> | <u>\$ 587,101</u> | <u>\$ 2,615,095</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities | | | | |
| Operating Income (Loss) | \$ 1,129,695 | \$ 188,691 | \$ 80,015 | \$ 1,398,401 |
| Adjustments: | | | | |
| Depreciation | 852,349 | 233,228 | 75,654 | 1,161,231 |
| (Increase) Decrease in Assets: | | | | |
| Accounts Receivable | (15,281) | 3,118 | (4,529) | (16,692) |
| Inventory | (17,337) | 8,934 | 0 | (8,403) |
| Increase (Decrease) in Liabilities: | | | | |
| Accounts Payable | (187,103) | 2,952 | 3,814 | (180,337) |
| Due to Other Governments | (536) | 6,268 | (1,425) | 4,307 |
| Accrued Salaries, Wages and Benefits | 634 | 711 | (533) | 812 |
| Compensated Absences | (15,332) | 3,818 | (9,202) | (20,716) |
| Net Cash Provided By (Used For) Operating Activities | <u>\$ 1,747,089</u> | <u>\$ 447,720</u> | <u>\$ 143,794</u> | <u>\$ 2,338,603</u> |

Noncash Capital Financing Activities:

The water fund purchased \$243,607 and \$116,033 of capital assets on account in 2014 and 2013, respectively.
The sewer fund purchased \$35,058 of capital assets on account in 2014.

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2014

Assets

| | |
|--|------------------|
| Cash and Cash Equivalents in Segregated Accounts | \$ 42,896 |
| <i>Total Assets</i> | <u>\$ 42,896</u> |

Liabilities

| | |
|--------------------------|------------------|
| Accounts Payable | \$ 1,885 |
| Payroll Withholdings | 20,893 |
| Undistributed Monies | 20,118 |
| <i>Total Liabilities</i> | <u>\$ 42,896</u> |

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

NOTE 1 -- DESCRIPTION OF THE ENTITY AND REPORTING ENTITY

The City of Upper Sandusky (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 operates under the mayor-council form of charter government as approved on October 25, 1976. The City provides police protection within its boundaries and fire protection to its citizens and adjacent townships. The City provides basic utilities in the form of water, wastewater treatment and sanitation pick up. The City constructs and maintains streets and sidewalks within the City. The City also operates a swimming pool and maintains three parks.

Reporting Entity: A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financials are not misleading. The primary government of the City consists of all funds, departments, boards, and agencies that are not legally separate from the City.

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; 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. Components units may also include organizations that are fiscally dependent on the City in that the City approves their budget, the issuance of their debt or the levying of their taxes. The City has no component units.

The City's Municipal Court has been included in the City's financial statements as an agency fund. The judge is an elected city official who has a fiduciary responsibility for the collection and distribution of court fees and fines.

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.

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.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

Following are the most significant of the City's accounting policies.

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, except the fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the invested in capital assets, net of related debt for the governmental or business-type activities but has been reflected in the entity-wide total. See Note 10.

Fund Financial Statements

During the year, the City segregates transactions related to certain City programs 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 a more detail level. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

B. FUND ACCOUNTING

The City uses funds to report on financial position. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

Governmental Funds

Governmental funds focus 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 be 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 General and the Capital Improvement funds are the City's major governmental funds:

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

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 are for grants and other resources, debt service, and capital projects to which the City is bound to observe constraints imposed upon the use of the resources.

Proprietary Funds

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds focus on the determination of the changes in net position, financial position and cash flows and are classified as either enterprise or internal service.

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 City's major enterprise funds are:

Water Fund - This fund accounts for the financial transactions related to water operations of the City.

Sewer Fund - This fund accounts for the financial transactions related to the sewer treatment service operations of the City.

Sanitation Fund - This fund accounts for the financial transactions related to the refuse pickup operations of the City.

Fiduciary Funds

Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Presently, the City has no trust funds, investment trust funds or private-purpose trust funds. The City's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City presently has three agency funds, Medical Reimbursements, Municipal Court and Payroll Agency Funds.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

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.

Fund Financial Statements

All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only assets and deferred outflows of resources and liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and others financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the 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 net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. BASIS OF ACCOUNTING

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

Revenues - Exchange and 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 one days of year-end.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. 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 of the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 taxes, fines and forfeitures, entitlements, and state-levied locally shared taxes (including gasoline tax and motor vehicle license fees).

Deferred Inflows of Resources and Deferred Outflows of Resources

A deferred inflow of resources is an acquisition of assets by the City that is applicable to a future reporting period. A deferred outflow of resources is a consumption of assets by the City that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of December 31, 2014, but which were levied to finance 2015 operations, and other revenues received in advance of the year for which they were intended to finance, have been recorded as deferred inflows of resources. Income taxes and special assessments not received within the available period, grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at December 31, 2014, are recorded as deferred inflows of resources in governmental funds.

On governmental fund financial statements receivables that will not be collected within the available period have been reported as a deferred inflow of resources.

On the accrual basis of accounting, unamortized deferred charges on debt refunding are reported as a deferred outflow of resources. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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. Allocation of cost, such as depreciation and amortization, are not recognized in governmental funds.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

E. BUDGET

An annual appropriated budget is required by law to be prepared for all funds of the City other than agency funds. Council passes appropriations at the fund, department and object level. Council must approve any revisions in the budget that alter appropriations at this legal level of control.

The following are the procedures used by the City in establishing the budgetary data reported in the basic financial statements:

Tax Budget

A budget of estimated revenue and expenditures is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year.

Estimated Resources

The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the first and final amended official certificate of estimated resources issued during 2014.

Appropriations

A temporary appropriation resolution to control expenditures may be passed on or about January 1 of each year for the period of January 1 to March 31. An annual appropriation resolution must be passed by April 1 of each year for the period January 1 to December 31. The appropriation resolution fixes spending authority at the fund, department, and object level. The appropriation resolution may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council. Several supplemental appropriation ordinances were legally enacted by Council during the year. The budget figures, which appear in the statement of budgetary comparisons, present the original and final appropriation amounts including all amendments and modifications.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

Lapsing of Appropriations

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

F. DEPOSITS

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

During 2014, investments were limited to money market accounts and certificates of deposit. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during year 2014 amounted to \$3,822 which included \$1,801 assigned from other funds of the City.

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 fiduciary assets and liabilities as "Cash and Cash Equivalents in Segregated Accounts" since they are not required to be deposited into the City's treasury.

For presentation on the financial statements, investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months that are not purchased from the pool are reported as "investments."

G. INVENTORIES

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

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

H. CAPITAL ASSETS

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000. Public domain ("infrastructure") general capital assets consisting of roads, highways, tunnels, bridges, curbs, sidewalks, fire hydrants, guard rails, landscaping, streets, drainage systems and lighting systems have been capitalized under requirements of the Governmental Accounting Standards Board. Improvements are capitalized and 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.

All reported capital assets other than land and construction in progress 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:

| <u>Description</u> | <u>Estimated Lives</u> |
|----------------------------|------------------------|
| Buildings and Improvements | 20 - 40 Years |
| Machinery and Equipment | 5 - 20 Years |
| Vehicles | 8 Years |
| Infrastructure | 50 Years |

I. INTERFUND BALANCES

On fund financial statements, transactions representing services rendered between funds are classified as "Due to Other Funds" and "Due from Other Funds". These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

J. COMPENSATED ABSENCES

Compensated absences of the City consist of vacation leave, holiday, personal, compensatory and sick leave to the extent that payment to the employee for these absences are attributed to services already rendered and are not contingent on a specific event that is outside the control of the City.

The City reports compensated absences in accordance with the provisions of Statement No. 16 of the Governmental Accounting Standards Board, *Accounting for Compensated Absences*. Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to payment 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 other means, such as cash payment at termination or retirement.

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those that the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employee wage rates at year-end taking into consideration any limits specified in the City's termination policy. The City records a liability for all accumulated unused vacation time when earned for all employees. The entire compensated absence liability is reported on the government-wide financial statements.

K. 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, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, and compensated absences, that will be paid from governmental funds are reported as a liability in the fund statements only to the extent they will be paid with current, expendable, available resources. In general, payments made within thirty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

L. 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:

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

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 the City. Those committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (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 Council has by resolution authorized the auditor to assign fund balance. The Council 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.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

M. 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 borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include amounts to provide general governmental services.

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

N. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activities of the proprietary funds. For the City, these revenues are water, sewer, and sanitation charges for services. Operating expenses are necessary costs incurred to provide the good or service that are the primary activity of the fund. All revenue and expenses not meeting these definitions are classified as non-operating.

O. CONTRIBUTION OF CAPITAL

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, or from grant or outside contributions of resources restricted to capital acquisition and construction. The City received contributions of \$684,247 this year.

P. INTERFUND ACTIVITY

Transfers between governmental and business-type activities on the governmental-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 transfers in or out. Transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expense in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented of the financial statements.

Q. 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 Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2014.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

R. ESTIMATES

The preparation of the 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.

NOTE 3 -- IMPLEMENTATION OF NEW ACCOUNTING POLICIES

For the fiscal year ended December 31, 2014, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the City.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the City.

NOTE 4 -- BUDGET BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements. The “statement of revenue, expenditures, and changes in fund balance - budget (non-GAAP basis) and actual” presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a restriction, commitment or assignment of fund balance for that portion of outstanding encumbrances not already recognized as payables (GAAP basis).

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

| | |
|--|--------------------|
| Budget Basis | \$ (17,578) |
| Net adjustments for revenue accruals | 57,279 |
| Net adjustments for expenditure accruals | (130,622) |
| Adjustments for encumbrances | <u>(7,550)</u> |
| GAAP Basis | <u>\$ (98,471)</u> |

NOTE 5 -- DEPOSITS AND INVESTMENTS

Deposits

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

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

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

2. Bonds, notes, debentures, or any other obligation or security 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 2% 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 (StarOhio); and
7. Certain bankers' acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time for a period not to exceed one hundred eighty days.
8. Under limited circumstances, corporate debt 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 the delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105% of the total value of public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the City's name. During 2014, the City and public depositories complied with the provisions of these statutes.

City of Upper Sandusky
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Notes to the Financial Statements
For the Year Ended December 31, 2014

Cash On Hand: At year-end, \$750 was on hand throughout the City in the form of drawer change and petty cash.

Deposits: At year-end, the carrying amount of the City's deposits was \$4,955,271 and the bank balance was \$5,127,852. Of the bank balance, \$3,420,958 was covered by federal depository insurance; and \$1,706,894 was exposed to custodial risk.

Custodial credit risk is the risk that in the event of bank failure, the City will not be able to recover the deposits. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of all deposits. Such collateral pools at the Federal Reserve Banks or at member banks of the Federal Reserve System, in the name of the respective depository bank and pledged as a pool of collateral against all the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City.

Collateral is required for demand deposits and certificates of deposits in excess of all deposits covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

The City had no investments at year end.

Reconciliation to Statement of Net Position

Per Bank Reconciliations:

| | |
|-----------------------------------|---------------------|
| Checking Accounts | \$ 1,891,853 |
| Money Market and Savings Accounts | 238,003 |
| CDAR's | 2,803,412 |
| Municipal Court Account | 22,003 |
| Petty Cash and Drawer Change | 750 |
| GAAP Basis | <u>\$ 4,956,021</u> |

Per Statement of Net Position:

| | |
|--|---------------------|
| Equity in Pooled Cash and Cash Equivalents | \$ 4,913,125 |
| Cash and Cash Equivalents in Segregated Accounts - Fiduciary Funds | 42,896 |
| GAAP Basis | <u>\$ 4,956,021</u> |

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

NOTE 6 -- RECEIVABLES

Receivables at December 31, 2014, consisted primarily of municipal income taxes, property and other taxes, due from other governments arising from entitlements, shared revenues, accounts (billings for utility service), and notes receivable. No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2014 for real and public utility property taxes represents collections of the 2013 taxes.

2014 real property taxes were levied after October 1, 2014 on the assessed value as of January 1, 2014, the lien date. Assessed values are established by State law at 35% of appraised market value. 2014 real property taxes are collected in and intended to finance 2015.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2014 public utility property taxes which became a lien December 31, 2013, are levied after October 1, 2014, and are collected in 2015 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2014, was \$3.80 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2014 property tax receipts were based are as follows:

| | <u>Assessed Value</u> |
|-----------------------------|-----------------------|
| Real Property | \$ 108,121,150 |
| Public Utilities - Personal | <u>4,257,870</u> |
| | <u>\$ 112,379,020</u> |

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 property taxes, public utility real and tangible personal property taxes, and outstanding delinquencies which became measurable as of December 31, 2014, and for which there is an enforceable legal claim. In the governmental funds, the portion of the receivable not levied to finance 2014 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 reported as deferred inflows of resources – unavailable revenue.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

Income Taxes

The City levies and collects an income tax of 1% on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually. Effective December 21, 2009, an ordinance was passed by Council establishing re-allocation of income tax. After defraying all necessary costs of collecting, administering, and enforcing the tax, the balance shall be allocated 73% to the general fund, 16% to the parks and recreation fund and 11% to the capital improvement fund.

Due From Other Governments

A summary of due from other governments follows:

| | Governmental Activities | Business-Type Activities |
|--|----------------------------|-----------------------------|
| Local Government and Local Government Revenue Assistance | \$ 124,916 | \$ 0 |
| Gasoline and Excise Tax | 127,990 | 0 |
| Motor Vehicle License Fees | 22,258 | 0 |
| Taxes (Homestead/Rollback) | 13,495 | 0 |
| Grants | 57,299 | 434,247 |
| Total Due From Other Governments | \$ 345,958 | \$ 434,247 |

NOTE 7 -- INSURANCE

The City is exposed to various risks of loss related to torts, theft of, and damage to, and destruction of assets, injuries to employees, and natural disasters.

Commercial Insurance

The City has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles

There has not been a significant reduction in commercial coverage from the prior year and settled claims have not exceeded coverage in any of the last three years.

Workers Compensation

Workers compensation coverage is provided by the State. The City pays 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.

City of Upper Sandusky
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Notes to the Financial Statements
For the Year Ended December 31, 2014

Risk Pool Membership

The City is a member of the Buckeye Ohio Risk Management Association self-insurance pool (the Pool). The Pool assumes the risk of loss up to the limits of the City's policy. The Pool may make supplemental assessments if the experience of the overall pool is unfavorable. The pool covers the following risks:

- Comprehensive Medical Plan
- Prescription Drug Plan

The December premiums were paid to the administrator, BORMA Mutual Health Services located in Westerville, Ohio, at \$797 and \$638 for single coverage, \$1,275 and \$1,020 for two party coverage and \$1,913 and \$1,530 for family coverage.

The contracted employees' portion of the City's premium amounts are capped by negotiated union contracts and cannot be increased except by negotiations. Two plans were offered to contracted and non-contracted employees in 2014. The contracted and non-contracted employee monthly portion of the premium, which is withheld from their biweekly payroll is as follows:

| | Single | Plus 1 | Family | Percent Employee Paid |
|----------|-----------|-----------|-----------|--------------------------|
| Plan A* | \$ 117.10 | \$ 187.34 | \$ 280.98 | 15.0% |
| Plan B-1 | 63.76 | 102.04 | 153.06 | 10.0% |

*Plan A was only available through March 31, 2014 to Police Officers covered by the Collective Bargaining Agreement. Officers were covered under Plan B-1 for the remainder of 2014.

In addition, life insurance is provided in full to full-time employees in the amount of \$20,000 per employee. The City provides reimbursement of dental and optical expenses upon presentation of a paid receipts for such services as follows:

| | Single | Plus 1 | Family |
|-------------------|-----------|-----------|-----------|
| Contracted Police | \$ 575.00 | \$ 625.00 | \$ 750.00 |
| Contracted Fire | 575.00 | 625.00 | 700.00 |
| Non-contracted | 575.00 | 625.00 | 700.00 |

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

NOTE 8 -- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014:

| | Balance 12/31/2013 | Additions | Deletions | Balance 12/31/2014 |
|---|-----------------------|--------------|-------------|-----------------------|
| Governmental Activities | | | | |
| <i>Capital Assets, Not Being Depreciated</i> | | | | |
| Land | \$ 788,900 | \$ 0 | \$ 0 | \$ 788,900 |
| Construction in Progress | 58,421 | 0 | (58,421) | 0 |
| <i>Total Capital Assets, Not Being Depreciated</i> | 847,321 | 0 | (58,421) | 788,900 |
| <i>Capital Assets, Being Depreciated</i> | | | | |
| Buildings and Improvements | 8,410,703 | 11,152 | 0 | 8,421,855 |
| Machinery and Equipment | 945,867 | 116,717 | 0 | 1,062,584 |
| Infrastructure | 22,869,789 | 166,252 | 0 | 23,036,041 |
| Vehicles | 1,574,408 | 546,903 | 0 | 2,121,311 |
| <i>Total Capital Assets, Being Depreciated</i> | 33,800,767 | 841,024 | 0 | 34,641,791 |
| <i>Accumulated Depreciation</i> | | | | |
| Buildings and Improvements | (5,880,831) | (264,620) | 0 | (6,145,451) |
| Machinery and Equipment | (432,767) | (91,829) | 0 | (524,596) |
| Infrastructure | (6,820,720) | (458,025) | 0 | (7,278,745) |
| Vehicles | (1,166,140) | (132,389) | 0 | (1,298,529) |
| <i>Total Accumulated Depreciated</i> | (14,300,458) | (946,863) | 0 | (15,247,321) |
| <i>Total Capital Assets Being Depreciated, Net</i> | 19,500,309 | (105,839) | 0 | 19,394,470 |
| <i>Governmental Activities, Capital Assets, Net</i> | \$ 20,347,630 | \$ (105,839) | \$ (58,421) | \$ 20,183,370 |

General Government:

| | |
|----------------------------------|------------|
| Legislative and Executive | \$ 19,978 |
| Judicial | 20,400 |
| Security of Persons and Property | 137,414 |
| Transportation | 594,242 |
| Leisure Time Activities | 173,435 |
| Community Environment | 1,394 |
| Total Depreciation | \$ 946,863 |

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

| | Balance 12/31/2013 | Additions | Deletions | Balance 12/31/2014 |
|--|-----------------------|--------------|----------------|-----------------------|
| Business-Type Activities | | | | |
| | Water | | | |
| <i>Capital Assets, Not Being Depreciated</i> | | | | |
| Construction in Progress | \$ 1,495,404 | \$ 875,675 | \$ (2,371,079) | \$ 0 |
| <i>Capital Assets, Being Depreciated</i> | | | | |
| Buildings and Improvements | 18,040,256 | 99,640 | 0 | 18,139,896 |
| Machinery and Equipment | 259,201 | 40,000 | 0 | 299,201 |
| Infrastructure | 17,741,079 | 2,981,786 | 0 | 20,722,865 |
| Vehicles | 107,428 | 0 | 0 | 107,428 |
| <i>Total Capital Assets, Being Depreciated</i> | 36,147,964 | 3,121,426 | 0 | 39,269,390 |
| <i>Accumulated Depreciation</i> | | | | |
| Buildings and Improvements | (1,635,246) | (467,211) | 0 | (2,102,457) |
| Machinery and Equipment | (157,088) | (23,661) | 0 | (180,749) |
| Infrastructure | (8,033,389) | (352,400) | 0 | (8,385,789) |
| Vehicles | (55,990) | (9,077) | 0 | (65,067) |
| <i>Total Accumulated Depreciated</i> | (9,881,713) | (852,349) | 0 | (10,734,062) |
| <i>Total Capital Assets Being Depreciated, Net</i> | 26,266,251 | 2,269,077 | 0 | 28,535,328 |
| <i>Business-Type Activities, Capital Assets, Net</i> | \$ 27,761,655 | \$ 3,144,752 | \$ (2,371,079) | \$ 28,535,328 |
| | | | | |
| | Balance 12/31/2013 | Additions | Deletions | Balance 12/31/2014 |
| Business-Type Activities | | | | |
| | Sewer | | | |
| <i>Capital Assets, Not Being Depreciated</i> | | | | |
| Construction in Progress | \$ 201,749 | \$ 273,027 | \$ 0 | \$ 474,776 |
| <i>Capital Assets, Being Depreciated</i> | | | | |
| Buildings and Improvements | 2,550,019 | 0 | 0 | 2,550,019 |
| Machinery and Equipment | 1,372,335 | 10,000 | 0 | 1,382,335 |
| Infrastructure | 7,626,053 | 240,300 | 0 | 7,866,353 |
| Vehicles | 84,536 | 0 | 0 | 84,536 |
| <i>Total Capital Assets, Being Depreciated</i> | 11,632,943 | 250,300 | 0 | 11,883,243 |
| <i>Accumulated Depreciation</i> | | | | |
| Buildings and Improvements | (1,479,721) | (58,366) | 0 | (1,538,087) |
| Machinery and Equipment | (1,170,155) | (25,612) | 0 | (1,195,767) |
| Infrastructure | (4,185,587) | (139,307) | 0 | (4,324,894) |
| Vehicles | (28,860) | (9,943) | 0 | (38,803) |
| <i>Total Accumulated Depreciated</i> | (6,864,323) | (233,228) | 0 | (7,097,551) |
| <i>Total Capital Assets Being Depreciated, Net</i> | 4,768,620 | 17,072 | 0 | 4,785,692 |
| <i>Business-Type Activities, Capital Assets, Net</i> | \$ 4,970,369 | \$ 290,099 | \$ 0 | \$ 5,260,468 |

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

| | Balance 12/31/2013 | Additions | Deletions | Balance 12/31/2014 |
|--|-----------------------|-------------|-----------|-----------------------|
| Business-Type Activities | | | | |
| | Sanitation | | | |
| <i>Capital Assets, Being Depreciated</i> | | | | |
| Machinery and Equipment | \$ 156,293 | \$ 0 | \$ 0 | \$ 156,293 |
| Vehicles | 583,472 | 0 | 0 | 583,472 |
| <i>Total Capital Assets, Being Depreciated</i> | 739,765 | 0 | 0 | 739,765 |
| <i>Accumulated Depreciation</i> | | | | |
| Machinery and Equipment | (72,936) | (10,421) | 0 | (83,357) |
| Vehicles | (304,479) | (65,233) | 0 | (369,712) |
| <i>Total Accumulated Depreciated</i> | (377,415) | (75,654) | 0 | (453,069) |
| <i>Business-Type Activities, Capital Assets, Net</i> | \$ 362,350 | \$ (75,654) | \$ 0 | \$ 286,696 |

NOTE 9 -- COMPENSATED ABSENCES

The City accrues unpaid vacation and compensation time as it is earned and certain portions of sick leave pay as payment becomes probable.

Sick leave accumulates at the rate of .0575 hours of sick leave for each hour of work completed with a maximum of 80 hours per pay period. Sick leave is accumulated and may be converted into cash upon retirement with more than ten years of service at the rate of 30% for all employees of the police and fire department to a maximum of 600 hours and a maximum of 480 hours for all other personnel. Individuals leaving the employment of the City prior to retirement or at retirement with less than ten years of service lose their accumulated sick leave. At December 31, 2014, the maximum vested liability to the City for accumulated unpaid sick leave, assuming the City would have to pay all accumulated sick leave if the City ceased operations approximated \$89,939. A liability has been recognized in the accompanying financial statements for sick leave for only the employees who have ten years of service and are age 50 or older, or have thirty years with local government employment.

A liability for accrued vacation and holidays of \$145,398 has been recognized. Vacation is accumulated based upon length of service as follows:

| Employee Service | Vacation Credit |
|------------------|-----------------|
| After 1 year | 2 weeks |
| After 8 years | 3 weeks |
| After 15 years | 4 weeks |
| After 22 years | 5 weeks |

Vacation leave must be used within the current calendar year unless the employee is unable to use his vacation due to the operational needs of the Employer. Without this, such excess leave is eliminated from the employee's leave balance. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

NOTE 10 -- LONG TERM LIABILITIES

The City's long-term obligations at year-end and a schedule of current year activity follows:

| | Balance 12/31/2013 | Additions | Deductions | Balance 12/31/2014 | Amount Due Within One Year |
|---|-----------------------|-------------------|-------------------|-----------------------|----------------------------------|
| Governmental Activities: | | | | | |
| OWDA - 1995 Sewer Construction | | | | | |
| Matures 2014; 2.20% | \$ 17,673 | \$ 0 | \$ 17,673 | \$ 0 * | \$ 0 |
| OWDA - 1996 WWTP | | | | | |
| Matures 2015; 2.20% | 125,981 | 0 | 83,527 | 42,454 * | 42,454 |
| OWDA - 1995 WWTP | | | | | |
| Matures 2014; 2.20% | 8,392 | 0 | 8,392 | 0 * | 0 |
| OWDA - 1996 Sewer Construction | | | | | |
| Matures 2016; 2.20% | 63,094 | 0 | 31,201 | 31,893 * | 31,893 |
| OWDA - 2002 Reservoir Construction | | | | | |
| Matures 2023; 4.65% | 3,668,883 | 0 | 315,180 | 3,353,703 * | 330,006 |
| | <u>3,884,023</u> | <u>0</u> | <u>455,973</u> | <u>3,428,050</u> | <u>404,353</u> |
| OPWC - 1996 Wastewater Treatment Plant | | | | | |
| Matures 2016; 0.00% | 67,500 | 0 | 27,000 | 40,500 * | 27,000 |
| OPWC - 2004 Rock Run Road Improvements | | | | | |
| Matures 2024; 0.00% | 42,020 | 0 | 3,820 | 38,200 * | 3,820 |
| OPWC - 2005 CSO Removal | | | | | |
| Matures 2025; 0.00% | 145,388 | 0 | 12,642 | 132,746 * | 12,642 |
| OPWC - 2011 Commerce Drive Storm Drainage | | | | | |
| Matures 2042; 0.00% | 238,882 | 0 | 8,237 | 230,645 * | 8,237 |
| | <u>493,790</u> | <u>0</u> | <u>51,699</u> | <u>442,091</u> | <u>51,699</u> |
| Capital Improvement Bonds - 2005 | | | | | |
| Matures 2025; 3.00% to 4.80% | 376,000 | 0 | 22,000 | 354,000 * | 24,000 |
| Fire Truck Bond, Series 2014 | | | | | |
| Matures 2024; 3.25% | 0 | 415,875 | 0 | 415,875 | 40,655 |
| Compensated Absences | 169,280 | 116,594 | 102,017 | 183,857 | 100,248 |
| Capital Lease | 21,593 | 131,894 | 68,197 | 85,290 | 41,378 |
| | <u>\$ 4,944,686</u> | <u>\$ 664,363</u> | <u>\$ 699,886</u> | <u>\$ 4,909,163</u> | <u>\$ 662,333</u> |

*These debt issues are recorded in governmental activities to finance assets of the business-type activities. See notation on Page 10 and 17 for a further description of the presentation on the statement of net position.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

| | Balance 12/31/2013 | Additions | Deductions | Balance 12/31/2014 | Amount Due Within One Year |
|---|-----------------------|-------------------|-------------------|-----------------------|----------------------------------|
| Business-Type Activities: | | | | | |
| OWDA - 2010 WTP & Storage Tower Matures 2041; 3.31% | \$ 14,381,252 | \$ 0 | \$ 275,903 | \$ 14,105,349 | \$ 339,441 |
| OWDA - 2010 Sewer System Planning Matures 2016; 3.91% | 140,860 | 4,903 | 7,278 | 138,485 | 7,278 |
| OWDA - 2013 LTCP Planning Matures 2018; 3.67% | 203,248 | 7,057 | 12,976 | 197,329 | 12,975 |
| OWDA - 2013 Warpole Waterlines installed Matures 2043; 2.69% | 517,598 | 0 | 16,180 | 501,418 | 21,537 |
| OWDA - 2013 NE Quadrant Waterlines Matures 2034; 2% | 913,521 | 705,570 | 52,464 | 1,566,627 | 73,714 |
| | <u>16,156,479</u> | <u>717,530</u> | <u>364,801</u> | <u>16,509,208</u> | <u>454,945</u> |
| OPWC - 2013 Elevated Tank Painting Matures 2043; 0% | 500,000 | 0 | 8,333 | 491,667 | 16,667 |
| OPWC - 2013 Waterline replacement Matures 2043; 0% | 263,227 | 82,742 | 0 | 345,969 | 11,532 |
| OPWC - 2013 Waterline replacement Matures 2043; 0% | 263,015 | 153,807 | 0 | 416,822 | 13,894 |
| | <u>1,026,242</u> | <u>236,549</u> | <u>8,333</u> | <u>1,254,458</u> | <u>42,093</u> |
| Compensated Absences | 72,196 | 28,477 | 49,193 | 51,480 | 45,150 |
| Capital Lease | 68,442 | 0 | 68,442 | 0 | 0 |
| | <u>\$ 17,323,359</u> | <u>\$ 982,556</u> | <u>\$ 490,769</u> | <u>\$ 17,815,146</u> | <u>\$ 542,188</u> |

Outstanding general obligation bonds consist of WWTP Improvements and a fire truck. General obligation bonds are a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from the capital improvements fund.

The Ohio Water Development Authority (OWDA) loan financed the 1995 sewer construction and separation project in the amount of \$575,705. The retirement of this 2.2% interest loan will be made by the capital improvement fund. This loan matured on July 1, 2014.

The OWDA loan financed the 1996 wastewater treatment plant project in the amount of \$1,382,887. The retirement of this 2.2% interest loan will be made by the capital improvement fund. This loan is scheduled to mature on July 1, 2015.

The OWDA loan refinanced the 1995 wastewater treatment plant project in the amount of \$273,301. The retirement of this 2.2% interest loan will be made by the capital improvement fund. This loan matured on July 1, 2014.

The OWDA loan financed the 1996 sewer construction project in the amount of \$522,244. The retirement of this 2.2% interest loan will be made by the capital improvement fund. This loan is scheduled to mature on January 1, 2016.

City of Upper Sandusky
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Notes to the Financial Statements
For the Year Ended December 31, 2014

The OWDA loan financed the 2002 reservoir construction project in the amount of \$6,234,116. The retirement of this 4.65% interest loan will be made by the capital improvement fund. This loan is scheduled to mature on July 1, 2023.

The Ohio Public Works Commission (OPWC) loan financed the 1996 wastewater treatment plant improvements in the amount of \$540,000. The retirement of this 0.0% interest loan will be made by the capital improvement fund with bi-annual payments of \$13,500. This loan is scheduled to mature on January 1, 2016.

The OPWC loan financed the 2004 Rock Run Road improvements in the amount of \$76,400. The retirement of this 0.0% interest loan will be made by the capital improvement fund with bi-annual payments of \$1,910. This loan is scheduled to mature on January 1, 2024.

The OPWC loan financed the 2005 Crawford/Hicks CSO removal in the amount of 252,849. The retirement of this 0.0% interest loan will be made by the capital improvement fund with bi-annual payments of \$6,321. This loan is scheduled to mature on January 1, 2025.

The OPWC loan financed the 2011 project entitled Commerce Drive Storm Drainage improvements in the amount of \$247,119. The retirement of this 0.0% interest loan will be made by the capital improvement fund with bi-annual payments of \$4,119. This loan is scheduled to mature on January 1, 2042.

The Capital Improvement Bond, Series 2005 was issued for the purpose of paying the costs of improvements East Wyandot Avenue. This bond is a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City in the capital improvement fund. The interest on this bond is 3% - 8% and is scheduled to mature in August 2025.

The Fire Truck Bond-Series 2014 financed the purchase of a 2013 Pierce Velocity Chassis fire truck. This bond is a direct obligation of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City in the capital improvement fund. The interest on this bond is 3.25% and is scheduled to mature in February 2024.

The OWDA loan financed the new 2010 wastewater treatment and storage tower in the amount of \$16,240,446. The retirement of this 3.31% interest loan will be made by the water fund. This loan is scheduled to mature on July 1, 2041.

The OWDA loan financed the 2010 sewer system planning project in the amount of \$148,381. The retirement of this 3.91% interest loan will be made by the sewer fund. This loan is scheduled to mature on July 1, 2016.

The OWDA loan financed the 2013 long term control plan project in the amount of \$268,299. The retirement of this 3.67% interest loan will be made by the sewer fund. This loan is scheduled to mature on January 1, 2018.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

The OWDA loan financed the 2013 waterline project on Warpole Street in the amount of \$715,000, as of December 31, 2014 only \$533,351 was disbursed; therefore, no amortization schedule is available. The retirement of this 2.69% interest loan will be made by the water fund. This loan is scheduled to mature on January 1, 2043.

The OWDA loan financed the 2013 waterline project on the NE Quadrant and tank painting in the amount of \$ \$1,619,091. The retirement of this 2% interest loan will be made by the water fund. This loan is scheduled to mature on July 1, 2034.

The OPWC loan financed the 2013 project entitled Elevated tank repainting in the amount of \$500,000. The retirement of this 0.0% interest loan will be made by the water fund with bi-annual payments of \$8,333. This loan is scheduled to mature on January 1, 2044.

The OPWC loan financed the various 2013 waterline projects in the amount of \$345,969. The retirement of this 0.0% interest loan will be made by the water fund with bi-annual payments of \$5,766, commencing in January 2015. This loan is scheduled to mature on January 1, 2044.

The OPWC loan financed the various 2013 waterline projects in the amount of \$416,822. The retirement of this 0.0% interest loan will be made by the water fund with bi-annual payments of \$6,947, commencing in January 2015. This loan is scheduled to mature on January 1, 2044.

Capital leases for governmental activities will be paid from the general fund and the special project fund; the business-type activities will be paid from the corresponding water, sewer, and sanitation funds. Compensated absences will be paid from the funds which the employee's salaries are paid, typically the general fund, the water fund, the sewer fund and the sanitation fund.

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2014 are as follows:

| Fiscal Year Ending December 31, | OWDA Loans | | Governmental Activities OPWC Loans | | Bonds | | Totals | |
|------------------------------------|---------------------|-------------------|---------------------------------------|-------------|-------------------|-------------------|---------------------|-------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| | 2015 | 404,353 | 153,147 | 51,699 | 0 | 64,655 | 24,069 | 520,707 |
| 2016 | 345,530 | 136,631 | 38,199 | 0 | 61,569 | 27,158 | 445,298 | 163,789 |
| 2017 | 361,783 | 120,377 | 24,699 | 0 | 64,758 | 24,919 | 451,240 | 145,296 |
| 2018 | 378,803 | 103,359 | 24,699 | 0 | 66,985 | 22,544 | 470,487 | 125,903 |
| 2019 | 396,621 | 85,540 | 24,699 | 0 | 70,252 | 20,073 | 491,572 | 105,613 |
| 2020-2024 | 1,540,960 | 146,602 | 123,500 | 0 | 399,656 | 58,115 | 2,064,116 | 204,717 |
| 2025-2029 | 0 | 0 | 47,506 | 0 | 42,000 | 2,016 | 89,506 | 2,016 |
| 2030-2034 | 0 | 0 | 41,186 | 0 | 0 | 0 | 41,186 | 0 |
| 2035-2039 | 0 | 0 | 41,190 | 0 | 0 | 0 | 41,190 | 0 |
| 2040-2042 | 0 | 0 | 24,714 | 0 | 0 | 0 | 24,714 | 0 |
| | <u>\$ 3,428,050</u> | <u>\$ 745,656</u> | <u>\$ 442,091</u> | <u>\$ 0</u> | <u>\$ 769,875</u> | <u>\$ 178,894</u> | <u>\$ 4,640,016</u> | <u>\$ 924,550</u> |

| Fiscal Year Ending December 31, | Water OWDA | | Business-Type Activities Water OPWC | | Water Total | | Sewer OWDA | |
|------------------------------------|---------------------|---------------------|---|-------------|---------------------|---------------------|-------------------|------------------|
| | Principal | Interest | Principal | Interest | Principal | Interest | Principal | Interest |
| | 2015 | 434,692 | 508,412 | 42,093 | 0 | 476,785 | 508,412 | 20,253 |
| 2016 | 448,085 | 495,018 | 42,093 | 0 | 490,178 | 495,018 | 144,182 | 7,909 |
| 2017 | 461,902 | 481,202 | 42,093 | 0 | 503,995 | 481,202 | 171,379 | 26,432 |
| 2018 | 476,158 | 466,947 | 42,093 | 0 | 518,251 | 466,947 | 0 | 0 |
| 2019 | 490,862 | 452,241 | 42,093 | 0 | 532,955 | 452,241 | 0 | 0 |
| 2020-2024 | 2,691,743 | 2,023,775 | 210,465 | 0 | 2,902,208 | 2,023,775 | 0 | 0 |
| 2025-2029 | 3,136,042 | 1,579,476 | 210,465 | 0 | 3,346,507 | 1,579,476 | 0 | 0 |
| 2030-2034 | 3,369,039 | 1,064,047 | 210,465 | 0 | 3,579,504 | 1,064,047 | 0 | 0 |
| 2035-2039 | 3,498,379 | 519,333 | 210,464 | 0 | 3,708,843 | 519,333 | 0 | 0 |
| 2040-2044 | 1,166,492 | 38,822 | 202,134 | 0 | 1,368,626 | 38,822 | 0 | 0 |
| | <u>\$16,173,394</u> | <u>\$ 7,629,273</u> | <u>\$ 1,254,458</u> | <u>\$ 0</u> | <u>\$17,427,852</u> | <u>\$ 7,629,273</u> | <u>\$ 335,814</u> | <u>\$ 34,341</u> |

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

NOTE 11 -- CAPITAL LEASES

The City has entered into a lease agreement as lessee for financing the acquisition of police cruisers and equipment. These lease agreements qualify as capital leases for accounting purposes (titles transferable at the end of the lease term) and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of inception. The costs of these capital leases are included in the governmental and business-type activities. The original cost of assets acquired under capital lease and included in the governmental activities was \$258,284 and \$269,001 in the business-type activities. The following is a schedule of the future minimum lease payments under these capital leases, and the present value of the net minimum lease payments at December 31, 2014:

| Fiscal Year Ending December 31, | Governmental Activities |
|--|----------------------------|
| 2015 | \$ 46,603 |
| 2016 | 46,602 |
| Total Minimum Lease Payments | 93,205 |
| Less Amount Representing Interest | (7,915) |
| Present Value of Future Minimum Lease Payments | \$ 85,290 |

Capital lease payments will be reclassified and reflected as debt service expenditures on the fund financial statements for governmental funds. These expenditures are reflected as security and legislative expenditures on the budgetary basis in the general fund, special project fund and capital improvement fund.

NOTE 12 -- DEFINED BENEFIT PENSION PLANS

A. Ohio Public Employees Retirement System

Plan Description – 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 in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, the Traditional Pension Plan benefit. Member contributions, the investment of which is self-directed by the members, accumulate retirement assets in a manner similar to the Member-Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost-of-living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For 2014, member and employer contribution rates were consistent across all three plans. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan.

For the year ended December 31, 2014, members in state and local classifications contributed 10.0% of covered payroll while public safety and law enforcement members contributed 12.0% and 13.0%, respectively.

The City's 2014 contribution rate was 14.0%, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1% of covered payroll. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 2.0% during calendar year 2014. The portion of employer contributions allocated to health care for members in the Combined Plan was 2.0% during calendar year 2014.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2014, 2013, and 2012, were \$350,621, \$330,974, and \$327,133, respectively. For 2014, 90.7% has been contributed, with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012. Contributions made to the Member-Directed Plan for 2014 were \$3,709 made by the City and \$2,649 made by the plan members.

B. Ohio Police and Fire Pension Fund (OP&F)

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. 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 for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

Funding Policy - From January 1, 2014 through July 1, 2014, plan members were required to contribute 10.75% of their annual covered salary. From July 2, 2014 through December 31, 2014, plan members were required to contribute 11.5% of their annual covered salary. Throughout 2014, employers were required to contribute 19.5% for police officers and 24.0% for firefighters. The City's contributions to OP&F for police and firefighters were \$97,708 and \$31,671 for the year ended December 31, 2014, \$103,741 and \$33,903 for the year ended December 31, 2013, and \$118,159 and \$26,171 for the year ended December 31, 2012, respectively. 90.7% for police and 91.8% for firefighters has been contributed for 2014. The full amount has been contributed for 2013 and 2012.

**City of Upper Sandusky
Wyandot County, Ohio**
*Notes to the Financial Statements
For the Year Ended December 31, 2014*

NOTE 13 -- POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS

A. Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan – a cost sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan – a defined contribution plan; and the Combined Plan – a cost sharing, multiple employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan, which includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care coverage.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 Postemployment Benefit (OPEB) as described in GASB Statement 45. OPERS' eligibility requirements for post-employment health care coverage changed for those retiring on and after January 1, 2015. Please see the Plan Statement in the 2013 stand-alone financial report referred to below.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

OPERS issues a stand-alone financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/investments/cafr.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 1-800-222-7377.

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

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2014, state and local employers contributed at a rate of 14.0% of covered payroll, and public safety and law enforcement employers contributed at 18.1%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active members do not make contributions to the OPEB Plan.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

OPERS' Postemployment Health Care plan was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside for funding postemployment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan and Combined Plan was 2.0% during calendar year 2014. Effective January 1, 2015, the portion of employer contributions allocated to health care remains at 2.0% for both plans, as recommended by OPERS' actuary. The OPERS Board of Trustees 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 OPERS Board of Trustees is also authorized to establish rules for the retiree, or their surviving beneficiaries, to pay a portion of the health care benefits provided. Payment amounts vary depending on the number of covered dependents and coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2014, 2013, and 2012 were \$140,238, \$132,381 and \$130,840, respectively. For 2014, 90.7% has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2013 and 2012.

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under SB 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4% of the employer contributions toward the health care fund after the end of the transition period.

B. Ohio Police and Fire Pension Fund (OP&F)

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

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

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 healthcare 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. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OP&F's website at www.op-f.org.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

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 Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5% and 24.0% of covered payroll for police and fire employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5% of covered payroll for police employer units and 24.0% 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. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contribution allocated to health care was 0.5% of covered payroll from January 1, 2014 through December 31, 2014. 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 also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$51,728 and \$12,393 for the year ended December 31, 2014, \$54,922 and \$13,266 for the year ended December 31, 2013, and \$62,555 and \$10,241 for the year ended December 31, 2012. 90.7% has been contributed for police and 91.8% has been contributed for firefighters for 2014. The full amount has been contributed for 2013 and 2012.

NOTE 14 -- CONTINGENT LIABILITIES

Federal and State Grants

The City participates in several federally assisted programs. These programs are subject to financial and compliance audits by grantor agencies or their representative. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

Litigation

The City may be a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the law director the resolution of these matters will not have a material adverse effect on the financial condition of the government.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

Encumbrances

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

| | | |
|--------------------------|----|-----------|
| General Fund | \$ | 7,550 |
| Capital Improvement Fund | | 10,606 |
| Other Governmental Funds | | 4,340 |
| | | \$ 22,496 |
| | | \$ 22,496 |

NOTE 15 -- TRANSFERS

Interfund transfers for the year ended December 31, 2014, consisted of the following:

| Fund | Transfers In | Transfers Out |
|--------------------------|--------------|---------------|
| General | \$ 100,000 | \$ 327,974 |
| Capital Improvement Fund | 932,114 | 0 |
| Other Governmental | 22,362 | 100,000 |
| Water | 0 | 500,030 |
| Sewer | 0 | 126,472 |
| | \$ 1,054,476 | \$ 1,054,476 |

In the year ended December 31, 2014, the City made a transfer of \$626,502 from the water and sewer funds to the capital improvements fund to subsidize, in part, the Ohio Water Development Authority (OWDA) debt service payments. In the past, OWDA loans were financed by City income tax. A transfer of \$305,612 from the general fund to the capital improvement fund was to assist in debt payment. During 2014, the Upper Sandusky Municipal Court judge signed a Journal Entry and Order to transfer \$100,000 from the special project fund to the general fund. The general fund transferred to the street construction and maintenance fund \$22,362 to assist with road repairs.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2014

NOTE 16 -- FUND BALANCE

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

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

| | General Fund | Capital Improvements Fund | Other Governmental Funds | Total |
|--------------------------------|-----------------|---------------------------------|--------------------------------|--------------|
| Nonspendable for: | | | | |
| Inventory | \$ 1,814 | \$ 0 | \$ 46,187 | \$ 48,001 |
| Total Nonspendable | 1,814 | 0 | 46,187 | 48,001 |
| Restricted for: | | | | |
| Capital Projects | 0 | 275,880 | 0 | 275,880 |
| Indigent Drivers Fund | 0 | 0 | 265,495 | 265,495 |
| CDBG Revolving Loan | 0 | 0 | 476,216 | 476,216 |
| Special Projects | 0 | 0 | 237,701 | 237,701 |
| Other Purposes | 0 | 0 | 289,608 | 289,608 |
| Total Restricted | 0 | 275,880 | 1,269,020 | 1,544,900 |
| Committed to: | | | | |
| Other Purposes | 0 | 0 | 217,903 | 217,903 |
| Total Committed | 0 | 0 | 217,903 | 217,903 |
| Assigned for: | | | | |
| Encumbrances | | | | |
| Legislative | 7,550 | 0 | 0 | 7,550 |
| Subsequent Year Appropriations | 633,825 | 0 | 0 | 633,825 |
| Total Assigned | 641,375 | 0 | 0 | 641,375 |
| Unassigned | 445,282 | 0 | 0 | 445,282 |
| Total Fund Balance | \$ 1,088,471 | \$ 275,880 | \$ 1,533,110 | \$ 2,897,461 |

June 26, 2015

To the Honorable Mayor and City Council
City of Upper Sandusky
Wyandot County, Ohio
119 North 7th Street
Upper Sandusky, OH 43351

**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Upper Sandusky, Wyandot County, Ohio (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 26, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying *Schedule of Findings*, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. 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. We consider the deficiency described in the accompanying *Schedule of Findings* as item 2014-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings* as item 2014-002.

The City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying *Schedule of Findings*. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Medina, Ohio

City of Upper Sandusky
Wyandot County, Ohio
Schedule of Findings
For the Year Ended December 31, 2014

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

| | |
|---|------------|
| Type of Financial Statement Opinion | Unmodified |
| Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | Yes |
| Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)? | No |
| Was there any reported material non-compliance at the financial statement level (GAGAS)? | Yes |

| |
|---|
| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS |
|---|

Finding Number: 2014-001

Material Weakness - Purchasing Policies and Procedures

Criteria: The purchasing policies and procedures adopted by the City regarding the purchasing of goods and services include preparing a requisition for purchased goods or services which is approved by the department head; obtaining an approved purchase order at the City Auditor’s office indicating funds are available or in the process of collection to cover the expenditure; ordering of goods and/or services by the department supervisor; receipting and providing evidence the goods were received in acceptable condition or services were satisfactorily rendered; and obtaining proper authorization of the invoice for payment.

Condition: While obtaining an understanding of the disbursement process we noted the procedures were not consistently followed by all departments. During our walkthrough procedures of the Street Department, we observed the same individual has the ability to place an order for goods, receive the purchased goods, as well as authorize the invoice for payment. Other departments may be affected by the same lack of segregation of duties.

Cause: The City lacks a documented purchasing policy and procedure manual that addresses internal control objectives, policies and detailed procedures relating to disbursements.

Effect: The risk of spending in excess of appropriations and available funds is increased. The lack of segregation of duties places the City at risk for opportunity to commit fraud, misappropriation of goods or services, and the risk of misstatement of the financial statements due to error and/or fraud.

City of Upper Sandusky
Wyandot County, Ohio
Schedule of Findings (Continued)
For the Year Ended December 31, 2014

| |
|---|
| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED) |
|---|

Finding Number: 2014-001 (Continued)

Material Weakness - Purchasing Policies and Procedures

Recommendation: We recommend the City create, document and formally approve a detailed purchasing policy and procedure manual to ensure all City personnel are aware of the City’s purchasing policies and procedures. This will allow management to improve enforcement of a uniform policy. We further recommend management review the purchasing process to identify and develop procedures to minimize risks relating to segregation of duties conflicts.

Management’s Response: A purchasing policy and procedure manual will be researched and considered in an effort to determine the best method of informing staff of purchasing policies.

Finding Number: 2014-002

Material Non-Compliance - Fiscal Officer Certification

Criteria: Ohio Revised Code Section 5705.41(D)(1) prohibits a subdivision or taxing entity from making any contract or ordering any expenditure of money unless a certificate signed by the fiscal officer is attached thereto. The fiscal officer must certify that the amount required to meet any such contract or expenditure has been lawfully appropriated and is in the treasury, or is in the process of collection to the credit of an appropriate fund free from any previous encumbrance.

The following explains the main exceptions to the standard requirement stated above, which are: “then and now” certificates, blanket certificates, and super blanket certificates, which are provided for in sections 5705.41(D)(1) and 5705.41(D)(3), respectively, of the Ohio Revised Code.

1. “Then and Now” certificate – If the fiscal officer can certify that both at the time that the contract or order was made (“then”), and at the time that the fiscal officer is completing the certification (“now”), that sufficient funds were available or in the process of collection, to the credit of a proper fund, properly appropriated and free from any previous encumbrance, the City can authorize the drawing of a warrant for the payment of the amount due. The City has thirty days from the receipt of the “then and now” certificate to approve payment by ordinance or resolution.
2. Amounts of less than \$3,000 may be paid by the fiscal officer without a resolution or ordinance upon completion of the “then and now” certificate, provided that the expenditure is otherwise lawful. This does not eliminate any otherwise applicable requirement for approval of expenditures by the City.

City of Upper Sandusky
Wyandot County, Ohio
Schedule of Findings (Continued)
For the Year Ended December 31, 2014

| |
|---|
| 2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED) |
|---|

Finding Number: 2014-002 (Continued)

Material Non-Compliance - Fiscal Officer Certification

3. Blanket Certificate – Fiscal officers may prepare “blanket” certificates for a certain sum of money not in excess of an amount established by resolution or ordinance adopted by a majority of the members of the legislative authority against any specific line item account over a period not running beyond the end of the current fiscal year. The blanket certificates may, but need not, be limited to a specific vendor. Only one blanket certificate may be outstanding at one particular time for any one particular line item appropriation.

4. Super Blanket Certificate – The City may also make expenditures and contracts for any amount from a specific line-item appropriation account in a specified fund upon certification of the fiscal officer for most professional services, fuel, oil, food items, and any other specific recurring and reasonably predictable operating expense. This certification is not to extend beyond the current year. More than one super blanket certificate may be outstanding at a particular time for any line item appropriation.

Condition: We noted 29 of 54 invoices tested lacked supporting requisitions and/or purchase orders.

Cause: There is a lack of consistent implementation of internal controls in the disbursement process. Under 5705.41(D)(2), the City has by resolution 63-12 established an exemption for all purchases of less than \$1,000 from the requirements of 5705.41(D)(1). 5705.41(D)(2) only grants authority to a board of county commissioners to adopt such a resolution.

Effect: Failure to properly certify the availability of funds can result in overspending funds and negative cash fund balances. Unless the exceptions noted above are used, prior certification is not only required by statute but is a key control in the disbursement process to ensure that purchase commitments receive prior approval.

Recommendation: We recommend the City implement training to ensure all employees with purchasing authorization authority are made aware of City policies and procedures. These employees should be provided copies of the required forms with the established procedures outlined. All employees with purchasing responsibilities are to create a requisition prior to all purchases and submit the form to the City Auditor for creation of a purchase order prior to ordering of goods or services.

Management’s Response: We will review our internal control process and take additional steps to educate and inform the appropriate individuals to ensure our procedures and Ohio Revised Code are followed. By resolution, we will rescind our exemption of purchases less than \$1,000 from fiscal officer certification.

City of Upper Sandusky
Wyandot County, Ohio
Schedule of Prior Audit Findings
For the Year Ended December 31, 2014

| Finding Number | Finding Summary | Fully Corrected? | Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain |
|-----------------------|--|-------------------------|--|
| 2013-001 | Lack of compliance with purchasing policies and procedures related to the preparation of purchase orders and weaknesses resulting from lack of segregation of duties | No | Repeated as Finding 2014-001 |
| 2013-002 | Material misstatements existed on the financial statements presented for audit | Yes | Corrected |
| 2013-003 | Ohio Revised Code Section 5705.41(D): Expenditures without certificate from fiscal officer | No | Repeated as Finding 2014-002 |
| 2013-004 | Ohio Revised Code Section 5705.41(B): Expenditures plus encumbrances exceeded appropriations at the legal level of control | Yes | Corrected |



Dave Yost • Auditor of State

CITY OF UPPER SANDUSKY

WYANDOT 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 5, 2015**