



Rea & associates *a brighter way*

City of Upper Sandusky Wyandot County, Ohio

Audited Financial Statements

For the Year Ended
December 31, 2015



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, 2015 through December 31, 2015. 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

September 21, 2017

City of Upper Sandusky
Wyandot County, Ohio
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July 19, 2017

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, 2015, 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 entity'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 entity'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, 2015, 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.

Emphasis of a Matter

As described in Note 3, the City restated the net position balance to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*." Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the City's Proportionate Share of the Net Pension Asset/Liability, and the Schedule of City Contributions on pages 3-12, 65 and 66-67 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 July 19, 2017 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 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, 2015
(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, 2015. 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 2015 are as follows:

- In total, net position decreased \$61,528, which represents .2% decrease from 2014. Net position of governmental activities increased \$7,983. Net position of business-type activities decreased \$69,511.
- Total capital assets decreased \$1,659,025 in 2015. Capital assets of governmental activities decreased \$700,898 and capital assets of business-type activities decreased \$958,127.
- Outstanding debt decreased from \$22,488,972 to \$21,612,309 due to principal payments made during the year.
- The City implemented GASB 68, which reduced beginning net position as previously reported by \$2,876,780 and \$647,379 for governmental and business-type activities, respectively.

Using this Annual Financial Report

This report is designed to allow the reader to look at the financial activities of the City of 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 2015 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, 2015
(Unaudited)

A question typically asked about the City's finances "How did we do financially during 2015?" 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.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Proprietary Funds Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

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 2015 compared to 2014:

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
<i>Assets:</i>						
Current and Other Assets	\$ 4,789,425	\$ 4,397,010	\$ 4,146,474	\$ 3,837,668	\$ 8,935,899	\$ 8,234,678
Net Pension Asset	1,459	398	840	229	2,299	627
Capital Assets, Net	19,482,472	20,183,370	33,124,365	34,082,492	52,606,837	54,265,862
Total Assets	24,273,356	24,580,778	37,271,679	37,920,389	61,545,035	62,501,167
<i>Deferred Outflows of Resources:</i>						
Pension	490,314	327,022	137,775	93,436	628,089	420,458
Total Deferred Outflows of Resources	490,314	327,022	137,775	93,436	628,089	420,458
<i>Liabilities:</i>						
Current and Other Liabilities	364,664	287,050	309,627	430,879	674,291	717,929
Long-Term Liabilities						
Due Within One Year	661,506	662,333	558,731	542,188	1,220,237	1,204,521
Due in More Than One Year:						
Net Pension Liability	3,356,006	3,204,200	758,168	741,044	4,114,174	3,945,244
Other Amounts	3,840,543	4,246,830	16,812,106	17,272,958	20,652,649	21,519,788
Total Liabilities	8,222,719	8,400,413	18,438,632	18,987,069	26,661,351	27,387,482
<i>Deferred Inflows of Resources</i>						
Deferred Charges on Refunding	279,000	277,000	0	0	279,000	277,000
Pension	23,581	0	13,577	0	37,158	0
Total Deferred Inflows of Resources	302,581	277,000	13,577	0	316,158	277,000
<i>Net Position:</i>						
Net Investment in						
Capital Assets	18,897,795	19,682,205	15,818,279	16,284,176	30,971,985	31,742,240 *
Restricted	1,572,849	1,008,130	0	0	1,572,849	1,008,130
Unrestricted	(4,232,274)	(4,459,948)	3,138,966	2,742,580	2,650,781	5,383,553
Total Net Position	\$16,238,370	\$16,230,387	\$18,957,245	\$19,026,756	\$35,195,615	\$38,133,923

*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.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

During 2015, the City adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions— an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension.

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

Under the new standards required by GASB 68, the net pension asset/liability equals the City's proportionate share of each plan's collective:

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

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

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

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

As a result of implementing GASB 68, the City is reporting a net pension asset/liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2014, from \$19,107,167 to \$16,230,387 for governmental activities and from \$19,674,135 to \$19,026,756 for business-type activities.

At year end, capital assets represented 85% 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 \$18,897,795, and \$15,818,279 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, \$1,572,849 or 10%, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position of the governmental activities \$(4,232,274) and \$(3,138,966) of the business-type activities was primarily caused by the implementation of GASB 68.

The net decrease in current and long term liabilities of \$726,131 can be attributed to a decrease in accounts payable associated with the completion of the waterline project, net of principal payments on outstanding debt.

Table 2 shows the changes in net position for fiscal year 2015 and 2014.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2015 and 2014.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<i>Revenues</i>						
Program Revenues:						
Charges for Services	\$ 1,169,263	\$ 1,141,121	\$ 4,979,118	\$ 5,038,672	\$ 6,148,381	\$ 6,179,793
Operating Grants	397,008	403,725	40,225	0	437,233	403,725
Capital Grants and Contributions	292,552	612,126	0	684,247	292,552	1,296,373
General Revenues:						
Property and Income Taxes	3,602,596	3,439,658	0	0	3,602,596	3,439,658
Grants and Entitlements	306,869	320,075	0	0	306,869	320,075
Investment Earnings	5,956	3,822	0	0	5,956	3,822
Other	40,573	184,500	72,858	51,512	113,431	236,012
<i>Total Revenues</i>	<u>5,814,817</u>	<u>6,105,027</u>	<u>5,092,201</u>	<u>5,774,431</u>	<u>10,907,018</u>	<u>11,879,458</u>
<i>Program Expenses:</i>						
General Government - Legislative/Judicial	1,792,676	1,678,162	0	0	1,792,676	1,678,162
Security of Persons and Property	2,243,899	2,085,667	0	0	2,243,899	2,085,667
Public Health and Welfare	28,916	32,440	0	0	28,916	32,440
Transportation	1,288,907	1,838,655	0	0	1,288,907	1,838,655
Community Environment	87,444	110,451	0	0	87,444	110,451
Basic Utilities	200,001	0	0	0	200,001	0
Leisure Time Activities	570,993	670,634	0	0	570,993	670,634
Interest and Fiscal Charges	186,732	179,293	0	0	186,732	179,293
Water	0	0	2,648,025	2,186,633	2,648,025	2,186,633
Sewer	0	0	1,196,989	1,248,484	1,196,989	1,248,484
Sanitation	0	0	723,964	717,807	723,964	717,807
<i>Total Expenses</i>	<u>6,399,568</u>	<u>6,595,302</u>	<u>4,568,978</u>	<u>4,152,924</u>	<u>10,968,546</u>	<u>10,748,226</u>
Transfers	592,734	626,502	(592,734)	(626,502)	0	0
Change in Net Position	<u>\$ 7,983</u>	<u>\$ 136,227</u>	<u>\$ (69,511)</u>	<u>\$ 995,005</u>	<u>\$ (61,528)</u>	<u>\$ 1,131,232</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$420,458 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$426,130. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$ 6,399,568	\$ 4,568,978	\$ 10,968,546
Pension expense under GASB 68	(343,108)	(83,022)	(426,130)
2015 contractually required contribution	332,074	97,271	429,345
Adjusted 2015 program expenses	6,388,534	4,583,227	10,971,761
Total 2014 program expenses under GASB 27	6,595,302	4,152,924	10,748,226
Increase/(Decrease) in program expenses not related pension	\$ (206,768)	\$ 430,303	\$ 223,535

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.

The decrease in revenues in the governmental activities can mainly be attributed to a decrease in grants for road improvement projects, which was offset by an increase for income taxes collected. The decrease in expenses can be attributed to a decrease in transportation related to various road repairs and maintenance, which was offset by an increase in security of persons and property in wages and benefits and an increase in basic utilities related to various utility projects.

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 62% of revenues for governmental activities in calendar year 2015.

General Government Legislative, Judicial and Executive comprise 28% of governmental program expenses while the Security of Persons program was 35%. 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 2015, charges for services of \$4,979,118 accounted for 98%, and miscellaneous revenue of \$72,858 accounted for 1% of the business type revenues. The total expenses and transfers out were \$5,161,712, thus leaving a decrease in net position of \$69,511 for the business-type activities. The decrease in revenues for the business type activities can be attributed to a decrease in funds for waterline projects and sewer projects.

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

The City's Funds

Governmental Funds

Information about the City's governmental funds begins on page 15. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues of \$5,901,754 and expenditures of \$6,299,914. 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 2015 was an increase of \$154,826. There was no significant reason for this increase.

The fund balance of the capital improvement fund increased \$20,663.

Proprietary Funds

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

Unrestricted net position of the water fund at the end of the year amounted to \$1,669,792, the unrestricted net position of the sewer fund was \$774,742, and the unrestricted net position of the sanitation fund was \$694,432. The total change in net position for these funds was \$(269,808), \$102,504, and \$97,893, 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 2015, 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 \$3,846,756, representing an increase of \$398,819 over the final budget estimate of \$3,447,937, mostly due to conservative budgeting of income tax receipts.

Final expenditure appropriations of \$4,034,812 were \$205,731 overestimated compared to actual expenditures of \$3,829,081. This can be attributed to less than anticipated expenditures in security of persons and property, namely police and fire.

Final budget basis revenue did not change from the original budget basis of \$3,447,937. Final expenditure appropriations were \$244,949 higher than the original expenditure appropriations.

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

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Capital Assets and Debt Administration

Capital Assets

At the end of year 2015, the City had \$52,606,837 invested in capital assets. A total of \$19,482,472 of this was for governmental activities and \$33,124,365 being attributable to business-type activities. Table 3 shows fiscal year 2015 balances compared with 2014.

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

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$ 788,900	\$ 788,900	\$ 0	\$ 0	\$ 788,900	\$ 788,900
Construction in Progress	35,825	0	603,471	474,776	639,296	474,776
Buildings and Improvements	2,016,535	2,276,404	16,541,492	17,049,371	18,558,027	19,325,775
Machinery and Equipment	613,630	537,988	348,667	377,956	962,297	915,944
Vehicles	729,973	822,782	255,133	301,854	985,106	1,124,636
Infrastructure	15,297,609	15,757,296	15,375,602	15,878,535	30,673,211	31,635,831
<i>Total Capital Assets</i>	<u>\$19,482,472</u>	<u>\$20,183,370</u>	<u>\$33,124,365</u>	<u>\$34,082,492</u>	<u>\$52,606,837</u>	<u>\$54,265,862</u>

The \$700,898 decrease in capital assets of governmental activities was attributable to current year depreciation exceeding additional purchases. The \$958,127 decrease in capital assets of business-type activities was also attributable to current year depreciation exceeding additional purchases. See Note 8 for additional information about the capital assets of the City.

Debt

The outstanding debt for the City as of December 31, 2015 was \$21,612,309. See Note 10 for additional details. Table 4 summarizes outstanding debt.

Table 4
Outstanding Debt, at December 31

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
OWDA Loans Payable	\$ 3,023,697	\$ 3,428,050	\$ 16,093,721	\$ 16,509,208	\$ 19,117,418	\$ 19,937,258
OPWC Loans Payable	390,392	442,091	1,212,365	1,254,458	1,602,757	1,696,549
Bonds	705,220	769,875	0	0	705,220	769,875
Capital Lease Payable	186,914	85,290	0	0	186,914	85,290
	<u>\$ 4,306,223</u>	<u>\$ 4,725,306</u>	<u>\$ 17,306,086</u>	<u>\$ 17,763,666</u>	<u>\$ 21,612,309</u>	<u>\$ 22,488,972</u>

City of Upper Sandusky
Wyandot County, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2015
(Unaudited)

Economic Factors

The City has seen a 7% increase in 2014 over 2013 in income tax revenue and a 6% increase in 2015 over 2014. 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 2014 level but as always provide basic services to its citizens.

We did not raise utility rates in 2015 although we 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, 2015

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Investments	\$ 2,583,084	\$ 3,196,360	\$ 5,779,444
Accounts Receivable	118,556	702,151	820,707
Intergovernmental Receivable	400,474	145,900	546,374
Taxes Receivable	1,308,713	0	1,308,713
Notes Receivable	347,970	0	347,970
Materials and Supplies Inventory	30,628	102,063	132,691
Net Pension Asset (see Note 12)	1,459	840	2,299
Non-Depreciable Capital Assets	824,725	603,471	1,428,196
Depreciable Capital Assets, Net	18,657,747	32,520,894	51,178,641
<i>Total Assets</i>	<u>24,273,356</u>	<u>37,271,679</u>	<u>61,545,035</u>
Deferred Outflows of Resources			
Pension	490,314	137,775	628,089
<i>Total Deferred Outflows of Resources</i>	<u>490,314</u>	<u>137,775</u>	<u>628,089</u>
Liabilities			
Accounts Payable	196,337	260,800	457,137
Accrued Wages	79,741	29,049	108,790
Due to Other Governments	69,983	19,778	89,761
Accrued Interest Payable	18,603	0	18,603
Long-Term Liabilities:			
Due Within One Year	661,506	558,731	1,220,237
Due In More Than One Year:			
Net Pension Liability (See Note 12)	3,356,006	758,168	4,114,174
Other Amounts Due in More Than One Year	3,840,543	16,812,106	20,652,649
<i>Total Liabilities</i>	<u>8,222,719</u>	<u>18,438,632</u>	<u>26,661,351</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	279,000	0	279,000
Pension (See Note 12)	23,581	13,577	37,158
<i>Total Deferred Inflows of Resources</i>	<u>302,581</u>	<u>13,577</u>	<u>316,158</u>
Net Position			
Net Investment in Capital Assets	18,897,795	15,818,279	30,971,985 *
Restricted for Capital Outlay	368,502	0	368,502
Restricted for Other Purposes	1,204,347	0	1,204,347
Unrestricted	(4,232,274)	3,138,966	2,650,781
<i>Total Net Position</i>	<u>\$ 16,238,370</u>	<u>\$ 18,957,245</u>	<u>\$ 35,195,615</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 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, 2015

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 1,792,676	\$ 1,087,476	\$ 1,680	\$ 0	\$ (703,520)	\$ 0	\$ (703,520)
Security of Persons and Property	2,243,899	28,874	0	0	(2,215,025)	0	(2,215,025)
Public Health	28,916	0	0	0	(28,916)	0	(28,916)
Leisure Time Services	570,993	52,913	13,282	0	(504,798)	0	(504,798)
Community Development	87,444	0	8,824	0	(78,620)	0	(78,620)
Basic Utility Service	200,001	0	0	0	(200,001)	0	(200,001)
Transportation	1,288,907	0	373,222	292,552	(623,133)	0	(623,133)
Interest and Fiscal Charges	186,732	0	0	0	(186,732)	0	(186,732)
<i>Total Governmental Activities</i>	<u>6,399,568</u>	<u>1,169,263</u>	<u>397,008</u>	<u>292,552</u>	<u>(4,540,745)</u>	<u>0</u>	<u>(4,540,745)</u>
Business-Type Activities							
Water	2,648,025	2,791,486	40,225	0	0	183,686	183,686
Sewer	1,196,989	1,382,338	0	0	0	185,349	185,349
Sanitation	723,964	805,294	0	0	0	81,330	81,330
<i>Total Business-Type Activities</i>	<u>4,568,978</u>	<u>4,979,118</u>	<u>40,225</u>	<u>0</u>	<u>0</u>	<u>450,365</u>	<u>450,365</u>
<i>Total Primary Government</i>	<u>\$ 10,968,546</u>	<u>\$ 6,148,381</u>	<u>\$ 437,233</u>	<u>\$ 292,552</u>	<u>(4,540,745)</u>	<u>450,365</u>	<u>(4,090,380)</u>
General Revenues:							
Property Taxes Levied for:							
General Purposes					286,473	0	286,473
Income Taxes Levied for:							
General Purposes					2,249,268	0	2,249,268
Parks and Recreation					784,123	0	784,123
Capital Improvements					282,732	0	282,732
Grants and Entitlements not Restricted to Specific Programs					306,869	0	306,869
Investment Earnings					5,956	0	5,956
Miscellaneous					40,573	72,858	113,431
<i>Total General Revenues</i>					<u>3,955,994</u>	<u>72,858</u>	<u>4,028,852</u>
Transfers					592,734	(592,734)	0
<i>Total General Revenues and Transfers</i>					<u>4,548,728</u>	<u>(519,876)</u>	<u>4,028,852</u>
<i>Change in Net Position</i>					7,983	(69,511)	(61,528)
<i>Net Position Beginning of Year (Restated-See Note 3)</i>					<u>16,230,387</u>	<u>19,026,756</u>	<u>35,257,143</u>
<i>Net Position End of Year</i>					<u>\$ 16,238,370</u>	<u>\$ 18,957,245</u>	<u>\$ 35,195,615</u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Balance Sheet
Governmental Funds
December 31, 2015

	General	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 1,056,820	\$ 259,296	\$ 1,266,968	\$ 2,583,084
Accounts Receivable	74,737	153	43,666	118,556
Intergovernmental Receivable	134,116	104,100	162,258	400,474
Taxes Receivable	1,039,590	109,218	159,905	1,308,713
Notes Receivable	0	0	347,970	347,970
Materials and Supplies Inventory	1,509	0	29,119	30,628
<i>Total Assets</i>	<u>\$ 2,306,772</u>	<u>\$ 472,767</u>	<u>\$ 2,009,886</u>	<u>\$ 4,789,425</u>
Liabilities				
Accounts Payable	\$ 77,405	\$ 104,265	\$ 14,667	\$ 196,337
Accrued Wages	67,987	0	11,754	79,741
Intergovernmental Payable	59,898	0	10,085	69,983
<i>Total Liabilities</i>	<u>205,290</u>	<u>104,265</u>	<u>36,506</u>	<u>346,061</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	279,000	0	0	279,000
Unavailable Revenue	579,490	71,959	223,618	875,067
<i>Total Deferred Inflows of Resources</i>	<u>858,490</u>	<u>71,959</u>	<u>223,618</u>	<u>1,154,067</u>
Fund Balances				
Nonspendable	1,509	0	29,119	30,628
Restricted	0	296,543	1,331,549	1,628,092
Committed	0	0	389,094	389,094
Assigned	589,943	0	0	589,943
Unassigned	651,540	0	0	651,540
<i>Total Fund Balances</i>	<u>1,242,992</u>	<u>296,543</u>	<u>1,749,762</u>	<u>3,289,297</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 2,306,772</u>	<u>\$ 472,767</u>	<u>\$ 2,009,886</u>	<u>\$ 4,789,425</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, 2015

Total Governmental Fund Balances		\$ 3,289,297
 <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.		19,482,472
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Property Taxes	\$ 7,294	
Income Tax	654,174	
Intergovernmental	206,551	
Accounts	<u>7,048</u>	875,067
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(18,603)
The net pension liability is not due and payable in the current period, and the net pension asset is not available for spending in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds.		
Net Pension Asset	1,459	
Deferred Outflows - Pension	490,314	
Deferred Inflows - Pension	(23,581)	
Net Pension Liability	<u>(3,356,006)</u>	(2,887,814)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(705,220)	
OPWC Loans	(390,392)	
OWDA Loans	(3,023,697)	
Capital Leases	(186,914)	
Compensated Absences	<u>(195,826)</u>	<u>(4,502,049)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ 16,238,370</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 Balances
Governmental Funds
For the Year Ended December 31, 2015

	General	Capital Improvements	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 390,258	\$ 8,329	\$ 32,805	\$ 431,392
Income Taxes	2,441,599	338,255	492,006	3,271,860
Charges for Services	58,521	0	32,603	91,124
Licenses and Permits	79,696	0	0	79,696
Fines and Forfeitures	649,795	0	327,211	977,006
Intergovernmental	298,593	292,552	367,522	958,667
Interest	5,957	0	8,821	14,778
Contributions and Donations	10,324	0	0	10,324
Other	19,957	154	46,796	66,907
<i>Total Revenues</i>	<u>3,954,700</u>	<u>639,290</u>	<u>1,307,764</u>	<u>5,901,754</u>
Expenditures				
Current:				
General Government	1,579,523	0	191,352	1,770,875
Security of Persons and Property	2,108,977	0	0	2,108,977
Public Health	28,916	0	0	28,916
Leisure Time Services	0	37,356	381,007	418,363
Community Development	78,408	0	9,889	88,297
Basic Utility Service	0	200,001	0	200,001
Transportation	0	484,893	379,932	864,825
Debt Service:				
Principal Retirement	93,856	529,402	10,460	633,718
Interest and Fiscal Charges	11,931	172,607	1,404	185,942
<i>Total Expenditures</i>	<u>3,901,611</u>	<u>1,424,259</u>	<u>974,044</u>	<u>6,299,914</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>53,089</u>	<u>(784,969)</u>	<u>333,720</u>	<u>(398,160)</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	63,137	151,498	0	214,635
Transfers In	100,000	654,134	0	754,134
Transfers Out	(61,400)	0	(100,000)	(161,400)
<i>Total Other Financing Sources (Uses)</i>	<u>101,737</u>	<u>805,632</u>	<u>(100,000)</u>	<u>807,369</u>
<i>Net Change in Fund Balance</i>	154,826	20,663	233,720	409,209
<i>Fund Balance Beginning of Year</i>	1,088,471	275,880	1,533,110	2,897,461
Change in Reserve for Inventory	(305)	0	(17,068)	(17,373)
<i>Fund Balance End of Year</i>	<u>\$ 1,242,992</u>	<u>\$ 296,543</u>	<u>\$ 1,749,762</u>	<u>\$ 3,289,297</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, 2015*

Net Change in Fund Balances - Total Governmental Funds	\$	391,836
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 295,220	
Current Year Depreciation	<u>(996,118)</u>	(700,898)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	171	
Income Tax	(49,788)	
Intergovernmental	(31,958)	
Accounts	<u>3,329</u>	(78,246)
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	64,655	
OPWC Loans	51,699	
OWDA Loans	404,353	
Capital Lease	<u>113,011</u>	633,718
 Inception of capital lease in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
		(214,635)
 In the statement of activities, interest is accrued on outstanding bonds, and bond premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable		(789)
 Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
		332,074
 Except for amount reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.		
		(343,108)
 Some expenses reported in the statement of activities, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences		<u>(11,969)</u>
 <i>Change in Net Position of Governmental Activities</i>	 \$	 <u>7,983</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, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Property Taxes	\$ 280,805	\$ 280,805	\$ 313,516	\$ 32,711
Income Taxes	2,186,853	2,186,853	2,441,599	254,746
Charges for Services	52,416	52,416	58,522	6,106
Licenses and Permits	71,842	71,842	80,211	8,369
Fines and Forfeitures	577,753	577,753	638,621	60,868
Intergovernmental	250,695	250,695	279,898	29,203
Interest	5,335	5,335	5,957	622
Contributions and Donations	9,247	9,247	10,324	1,077
Other	12,991	12,991	18,108	5,117
<i>Total Revenues</i>	<u>3,447,937</u>	<u>3,447,937</u>	<u>3,846,756</u>	<u>398,819</u>
Expenditures				
Current:				
General Government	1,535,656	1,634,909	1,551,547	83,362
Security of Persons and Property	2,042,056	2,174,040	2,063,188	110,852
Public Health	28,620	30,470	28,916	1,554
Community Development	78,827	83,922	79,643	4,279
Debt Service:				
Principal Retirement	92,895	98,899	93,856	5,043
Interest and Fiscal Charges	11,809	12,572	11,931	641
<i>Total Expenditures</i>	<u>3,789,863</u>	<u>4,034,812</u>	<u>3,829,081</u>	<u>205,731</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(341,926)</u>	<u>(586,875)</u>	<u>17,675</u>	<u>604,550</u>
Other Financing Sources (Uses)				
Transfers In	100,000	100,000	100,000	0
Transfers Out	(61,400)	(61,400)	(61,400)	0
<i>Total Other Financing Sources (Uses)</i>	<u>38,600</u>	<u>38,600</u>	<u>38,600</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	(303,326)	(548,275)	56,275	604,550
<i>Fund Balance Beginning of Year</i>	993,095	993,095	993,095	0
Prior Year Encumbrances Appropriated	25,128	25,128	25,128	0
<i>Fund Balance End of Year</i>	<u>\$ 714,897</u>	<u>\$ 469,948</u>	<u>\$ 1,074,498</u>	<u>\$ 604,550</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, 2015

	Enterprise Funds			
	Water	Sewer	Sanitation	Total
Assets				
<i>Current Assets:</i>				
Equity in Pooled Cash and Investments	\$ 1,608,520	\$ 833,214	\$ 754,626	\$ 3,196,360
Accounts Receivable	394,882	193,228	114,041	702,151
Intergovernmental Receivable	145,900	0	0	145,900
Materials and Supplies Inventory	87,817	14,246	0	102,063
<i>Total Current Assets</i>	<u>2,237,119</u>	<u>1,040,688</u>	<u>868,667</u>	<u>4,146,474</u>
<i>Non-Current Assets:</i>				
Net Pension Asset	433	256	151	840
Non-Depreciable Capital Assets	0	603,471	0	603,471
Depreciable Capital Assets, Net	27,742,859	4,551,897	226,138	32,520,894
<i>Total Non-Current Assets</i>	<u>27,743,292</u>	<u>5,155,624</u>	<u>226,289</u>	<u>33,125,205</u>
<i>Total Assets</i>	<u>29,980,411</u>	<u>6,196,312</u>	<u>1,094,956</u>	<u>37,271,679</u>
Deferred Outflows of Resources				
Pension	71,115	41,920	24,740	137,775
<i>Total Deferred Outflows of Resources</i>	<u>71,115</u>	<u>41,920</u>	<u>24,740</u>	<u>137,775</u>
Liabilities				
<i>Current Liabilities:</i>				
Accounts Payable	179,115	38,850	42,835	260,800
Accrued Wages	15,619	6,320	7,110	29,049
Due to Other Governments	10,340	5,532	3,906	19,778
Compensated Absences Payable	23,482	18,123	6,695	48,300
OPWC Loans Payable	42,093	0	0	42,093
OWDA Loans Payable	448,085	20,253	0	468,338
<i>Total Current Liabilities</i>	<u>718,734</u>	<u>89,078</u>	<u>60,546</u>	<u>868,358</u>
<i>Long-Term Liabilities:</i>				
Compensated Absences Payable - Net of Current Portion	11,968	4,483	0	16,451
OPWC Loans Payable - Net of Current Portion	1,170,272	0	0	1,170,272
OWDA Loans Payable - Net of Current Portion	15,318,878	306,505	0	15,625,383
Net Pension Liability	391,343	230,683	136,142	758,168
<i>Total Long-Term Liabilities</i>	<u>16,892,461</u>	<u>541,671</u>	<u>136,142</u>	<u>17,570,274</u>
<i>Total Liabilities</i>	<u>17,611,195</u>	<u>630,749</u>	<u>196,688</u>	<u>18,438,632</u>
Deferred Inflows of Resources				
Pension	7,008	4,131	2,438	13,577
<i>Total Deferred Inflows of Resources</i>	<u>7,008</u>	<u>4,131</u>	<u>2,438</u>	<u>13,577</u>
Net Position				
Net Investment in Capital Assets	10,763,531	4,828,610	226,138	15,818,279 *
Unrestricted	1,669,792	774,742	694,432	3,138,966
<i>Total Net Position</i>	<u>\$ 12,433,323</u>	<u>\$ 5,603,352</u>	<u>\$ 920,570</u>	<u>\$ 18,957,245</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 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, 2015

	Enterprise Funds			
	Water	Sewer	Sanitation	Totals
Operating Revenues				
Charges for Services	\$ 2,791,486	\$ 1,382,338	\$ 805,294	\$ 4,979,118
<i>Total Operating Revenues</i>	<u>2,791,486</u>	<u>1,382,338</u>	<u>805,294</u>	<u>4,979,118</u>
Operating Expenses				
Personal Services	719,163	409,559	328,961	1,457,683
Contractual Services	356,519	433,633	228,886	1,019,038
Materials and Supplies	191,803	118,840	104,760	415,403
Depreciation	847,932	233,795	60,558	1,142,285
Other	5,754	1,162	799	7,715
<i>Total Operating Expenses</i>	<u>2,121,171</u>	<u>1,196,989</u>	<u>723,964</u>	<u>4,042,124</u>
<i>Operating Income (Loss)</i>	<u>670,315</u>	<u>185,349</u>	<u>81,330</u>	<u>936,994</u>
Non-Operating Revenues (Expense)				
Intergovernmental	40,225	0	0	40,225
Other Non-Operating Revenues	28,567	10,111	34,180	72,858
Interest and Fiscal Charges	(526,854)	0	0	(526,854)
<i>Total Non-Operating Revenues (Expense)</i>	<u>(458,062)</u>	<u>10,111</u>	<u>34,180</u>	<u>(413,771)</u>
<i>Income (Loss) Before Transfers</i>	<u>212,253</u>	<u>195,460</u>	<u>115,510</u>	<u>523,223</u>
Transfers Out	(482,161)	(92,956)	(17,617)	(592,734)
<i>Change in Net Position</i>	(269,908)	102,504	97,893	(69,511)
<i>Net Position Beginning of Year (Restated-See Note 3)</i>	<u>12,703,231</u>	<u>5,500,848</u>	<u>822,677</u>	<u>19,026,756</u>
<i>Net Position End of Year</i>	<u>\$ 12,433,323</u>	<u>\$ 5,603,352</u>	<u>\$ 920,570</u>	<u>\$ 18,957,245</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, 2015

	Enterprise Funds			
	Water	Sewer	Sanitation	Totals
Cash Flows from Operating Activities				
Cash Received from Customers	\$ 2,947,714	\$ 1,510,792	\$ 804,646	\$ 5,263,152
Cash Payments to Suppliers for Goods and Services	(649,309)	(605,753)	(323,148)	(1,578,210)
Cash Payments to Employees for Services and Benefits	(735,065)	(413,315)	(330,536)	(1,478,916)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>1,563,340</u>	<u>491,724</u>	<u>150,962</u>	<u>2,206,026</u>
Cash Flows from Noncapital Financing Activities				
Intergovernmental Revenue	40,225	0	0	40,225
Other Non-Operating Receipts	28,567	10,111	34,180	72,858
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>68,792</u>	<u>10,111</u>	<u>34,180</u>	<u>113,083</u>
Cash Flows from Capital and Related Financing Activities				
Acquisition of Capital Assets	(55,463)	(128,695)	0	(184,158)
Transfers Out for Capital Debt Retirement	(482,161)	(92,956)	(17,617)	(592,734)
Principal Payments on Debt **	(425,042)	(9,056)	0	(434,098)
Interest Payments on Debt	(526,854)	0	0	(526,854)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(1,489,520)</u>	<u>(230,707)</u>	<u>(17,617)</u>	<u>(1,737,844)</u>
<i>Net Increase (Decrease) in Cash and Investments</i>	142,612	271,128	167,525	581,265
<i>Cash and Investments Beginning of Year</i>	<u>1,465,908</u>	<u>562,086</u>	<u>587,101</u>	<u>2,615,095</u>
<i>Cash and Investments End of Year</i>	<u>\$ 1,608,520</u>	<u>\$ 833,214</u>	<u>\$ 754,626</u>	<u>\$ 3,196,360</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities				
Operating Income (Loss)	\$ 670,315	\$ 185,349	\$ 81,330	\$ 936,994
Adjustments:				
Depreciation	847,932	233,795	60,558	1,142,285
(Increase) Decrease in Assets and Deferred Outflows:				
Accounts Receivable	(1,123)	(2,542)	(648)	(4,313)
Materials and Supplies Inventory	(3,575)	(8,000)	0	(11,575)
Due From Other Funds	157,351	130,996	0	288,347
Net Pension Asset	(315)	(186)	(110)	(611)
Deferred Outflows - Pension	(22,886)	(13,491)	(7,962)	(44,339)
Increase (Decrease) in Liabilities and Deferred Inflows:				
Accounts Payable	(88,389)	(1,074)	12,929	(76,534)
Accrued Wages	2,079	(74)	1,222	3,227
Contracts Payable	0	(34,650)	0	(34,650)
Compensated Absences Payable	(10,627)	654	(238)	(10,211)
Intergovernmental Payable	(3,269)	(8,394)	(1,632)	(13,295)
Deferred Inflows - Pension	7,008	4,131	2,438	13,577
Net Pension Liability	8,839	5,210	3,075	17,124
<i>Net Cash Provided by (Used For) Operating Activities</i>	<u>\$ 1,563,340</u>	<u>\$ 491,724</u>	<u>\$ 150,962</u>	<u>\$ 2,206,026</u>
Non-Cash Items:				
**Principal adjustments by OWDA/OPWC	<u>\$ 23,482</u>	<u>\$ 11,198</u>	<u>\$ 0</u>	<u>\$ 34,680</u>

See accompanying notes to the basic financial statements.

City of Upper Sandusky
Wyandot County, Ohio
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
December 31, 2015

	<u>Agency Funds</u>
Assets	
Cash and Investments in Segregated Accounts	\$ 38,060
<i>Total Assets</i>	<u>\$ 38,060</u>
Liabilities	
Accounts Payable	\$ 983
Payroll Withholdings	19,292
Undistributed Monies	17,785
<i>Total Liabilities</i>	<u>\$ 38,060</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, 2015

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, 2015

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, 2015

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 following 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, 2015

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 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, 2015

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

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources related to pension are explained in Note 12.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the City, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2015, but which were levied to finance 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, intergovernmental grants and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 12.)

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, 2015

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 2015.

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, 2015

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 2015, 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 2015 amounted to \$5,957 which included \$3,188 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 Investments 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, 2015

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, 2015

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. PENSIONS

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

L. ACCRUED LIABILITIES AND LONG-TERM OBLIGATIONS

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

In general, 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, compensated absences, and net pension liability 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.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

M. FUND BALANCE

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

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

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the City. The 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, 2015

N. 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on 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.

O. 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.

P. 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.

Q. 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.

R. EXTRAORDINARY AND SPECIAL ITEMS

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of Council and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2015.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

S. 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 AND RESTATEMENT OF NET POSITION

For the year ended December 31, 2015, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

	Governmental Activities	Business-Type Activities			Total
		Water	Sewer	Sanitation	
Net Position December 31, 2014	\$ 19,107,167	\$ 13,037,388	\$ 5,697,822	\$ 938,925	\$ 19,674,135
Adjustments:					
Net Pension Asset	398	118	70	41	229
Net Pension Liability	(3,204,200)	(382,504)	(225,473)	(133,067)	(741,044)
Deferred Outflow - Payments					
Subsequent to Measurement Date	327,022	48,229	28,429	16,778	93,436
Restated Net Position, January 1, 2015	<u>\$ 16,230,387</u>	<u>\$ 12,703,231</u>	<u>\$ 5,500,848</u>	<u>\$ 822,677</u>	<u>\$ 19,026,756</u>

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

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

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).

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	\$	56,275
Net adjustments for revenue accruals		171,081
Net adjustments for expenditure accruals		(49,987)
Adjustments for encumbrances		(22,543)
GAAP Basis	\$	154,826

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.

City of Upper Sandusky
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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;
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 (STAR Ohio and STAR Plus);
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.

City of Upper Sandusky
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Notes to the Financial Statements
For the Year Ended December 31, 2015

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 2015, the City and public depositories complied with the provisions of these statutes.

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 \$5,816,754 and the bank balance was \$6,022,941. Of the bank balance, \$3,499,591 was covered by federal depository insurance; and \$2,523,350 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	\$ 2,355,583
Money Market and Savings Accounts	633,318
CDAR's	2,809,085
Municipal Court Account	18,768
Petty Cash and Drawer Change	750
GAAP Basis	<u>\$ 5,817,504</u>

Per Statement of Net Position:

Equity in Pooled Cash and Cash Equivalents	\$ 5,779,444
Cash and Investments in Segregated Accounts - Fiduciary Funds	38,060
GAAP Basis	<u>\$ 5,817,504</u>

City of Upper Sandusky
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Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 6 -- RECEIVABLES

Receivables at December 31, 2015, 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 2015 for real and public utility property taxes represents collections of the 2014 taxes.

2015 real property taxes were levied after October 1, 2015 on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35% of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015, was \$3.80 per \$1,000 of assessed valuation. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

	<u>Assessed Value</u>
Real Property	\$ 108,128,330
Public Utilities - Real	25,020
Public Utilities - Personal	<u>4,407,320</u>
	<u>\$ 112,560,670</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 and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2015, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 operations is offset to deferred inflows of resources – property taxes levied for the next year. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

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 intergovernmental receivables follows:

	Governmental Activities	Business-Type Activities
Local Government and Local Government Revenue Assistance	\$ 120,792	\$ 0
Gasoline and Excise Tax	120,878	0
Motor Vehicle License Fees	28,098	0
Taxes (Homestead/Rollback)	13,324	0
Grants	117,382	145,900
Total Intergovernmental Receivables	\$ 400,474	\$ 145,900

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.

City of Upper Sandusky
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Notes to the Financial Statements
For the Year Ended December 31, 2015

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.

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. One plan was offered to contracted and non-contracted employees in 2015. The contracted and non-contracted employee monthly portion of the premium, which is withheld from their biweekly payroll is as follows:

	<u>Single</u>	<u>Plus 1</u>	<u>Family</u>	<u>Percent Employee Paid</u>
Plan B-1	\$ 60.77	\$ 121.54	\$ 182.32	10.0%

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:

	<u>Single</u>	<u>Plus 1</u>	<u>Family</u>
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
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NOTE 8 -- CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015:

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Governmental Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 788,900	\$ 0	\$ 0	\$ 788,900
Construction in Progress	0	35,825	0	35,825
<i>Total Capital Assets, Not Being Depreciated</i>	<u>788,900</u>	<u>35,825</u>	<u>0</u>	<u>824,725</u>
 <i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	8,421,855	0	0	8,421,855
Machinery and Equipment	1,062,584	177,628	(14,925)	1,225,287
Infrastructure	23,036,041	0	0	23,036,041
Vehicles	2,121,311	81,767	(170,964)	2,032,114
<i>Total Capital Assets, Being Depreciated</i>	<u>34,641,791</u>	<u>259,395</u>	<u>(185,889)</u>	<u>34,715,297</u>
 <i>Accumulated Depreciation</i>				
Buildings and Improvements	(6,145,451)	(259,869)	0	(6,405,320)
Machinery and Equipment	(524,596)	(101,986)	14,925	(611,657)
Infrastructure	(7,278,745)	(459,687)	0	(7,738,432)
Vehicles	(1,298,529)	(174,576)	170,964	(1,302,141)
<i>Total Accumulated Depreciated</i>	<u>(15,247,321)</u>	<u>(996,118)</u>	<u>185,889</u>	<u>(16,057,550)</u>
 <i>Total Capital Assets Being Depreciated, Net</i>	 <u>19,394,470</u>	 <u>(736,723)</u>	 <u>0</u>	 <u>18,657,747</u>
 <i>Governmental Activities, Capital Assets, Net</i>	 <u>\$ 20,183,370</u>	 <u>\$ (700,898)</u>	 <u>\$ 0</u>	 <u>\$ 19,482,472</u>

General Government:	
Legislative and Executive	\$ 19,415
Judicial	20,397
Security of Persons and Property	176,712
Transportation	611,545
Leisure Time Activities	168,049
Total Depreciation	<u>\$ 996,118</u>

City of Upper Sandusky
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For the Year Ended December 31, 2015

	Balance 12/31/2014	Additions	Deletions	Balance 12/31/2015
Business-Type Activities				
Water				
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	\$ 18,139,896	\$ 0	\$ 0	\$ 18,139,896
Machinery and Equipment	299,201	30,536	0	329,737
Infrastructure	20,722,865	0	0	20,722,865
Vehicles	107,428	24,927	0	132,355
<i>Total Capital Assets, Being Depreciated</i>	<u>39,269,390</u>	<u>55,463</u>	<u>0</u>	<u>39,324,853</u>
<i>Accumulated Depreciation</i>				
Buildings and Improvements	(2,102,457)	(450,260)	0	(2,552,717)
Machinery and Equipment	(180,749)	(24,257)	0	(205,006)
Infrastructure	(8,385,789)	(361,223)	0	(8,747,012)
Vehicles	(65,067)	(12,192)	0	(77,259)
<i>Total Accumulated Depreciated</i>	<u>(10,734,062)</u>	<u>(847,932)</u>	<u>0</u>	<u>(11,581,994)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>28,535,328</u>	<u>(792,469)</u>	<u>0</u>	<u>27,742,859</u>
<i>Business-Type Activities, Capital Assets, Net</i>	<u>\$ 28,535,328</u>	<u>\$ (792,469)</u>	<u>\$ 0</u>	<u>\$ 27,742,859</u>
Sewer				
<i>Capital Assets, Not Being Depreciated</i>				
Construction in Progress	\$ 474,776	\$ 128,695	\$ 0	\$ 603,471
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	2,550,019	0	0	2,550,019
Machinery and Equipment	1,382,335	0	(200,000)	1,182,335
Infrastructure	7,866,353	0	0	7,866,353
Vehicles	84,536	0	0	84,536
<i>Total Capital Assets, Being Depreciated</i>	<u>11,883,243</u>	<u>0</u>	<u>(200,000)</u>	<u>11,683,243</u>
<i>Accumulated Depreciation</i>				
Buildings and Improvements	(1,538,087)	(57,619)	0	(1,595,706)
Machinery and Equipment	(1,195,767)	(25,149)	200,000	(1,020,916)
Infrastructure	(4,324,894)	(141,710)	0	(4,466,604)
Vehicles	(38,803)	(9,317)	0	(48,120)
<i>Total Accumulated Depreciated</i>	<u>(7,097,551)</u>	<u>(233,795)</u>	<u>200,000</u>	<u>(7,131,346)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>4,785,692</u>	<u>(233,795)</u>	<u>0</u>	<u>4,551,897</u>
<i>Business-Type Activities, Capital Assets, Net</i>	<u>\$ 5,260,468</u>	<u>\$ (105,100)</u>	<u>\$ 0</u>	<u>\$ 5,155,368</u>
Sanitation				
<i>Capital Assets, Being Depreciated</i>				
Machinery and Equipment	\$ 156,293	\$ 0	\$ 0	\$ 156,293
Vehicles	583,472	0	(30,275)	553,197
<i>Total Capital Assets, Being Depreciated</i>	<u>739,765</u>	<u>0</u>	<u>(30,275)</u>	<u>709,490</u>
<i>Accumulated Depreciation</i>				
Machinery and Equipment	(83,357)	(10,419)	0	(93,776)
Vehicles	(369,712)	(50,139)	30,275	(389,576)
<i>Total Accumulated Depreciated</i>	<u>(453,069)</u>	<u>(60,558)</u>	<u>30,275</u>	<u>(483,352)</u>
<i>Business-Type Activities, Capital Assets, Net</i>	<u>\$ 286,696</u>	<u>\$ (60,558)</u>	<u>\$ 0</u>	<u>\$ 226,138</u>

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

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, 2015, 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 \$110,303. 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 \$150,275 has been recognized. Vacation is accumulated based upon length of service as follows:

<u>Employee Service</u>	<u>Vacation Credit</u>
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.

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City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

NOTE 10 -- LONG TERM LIABILITIES

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

	Restated Balance 12/31/2014	Additions	Deductions	Balance 12/31/2015	Amount Due Within One Year
Governmental Activities:					
OWDA - 1996 WWTP					
Matures 2015; 2.20%	\$ 42,454	\$ 0	\$ 42,454	\$ 0 *	\$ 0
OWDA - 1996 Sewer Construction					
Matures 2016; 2.20%	31,893	0	31,893	0 *	0
OWDA - 2002 Reservoir Construction					
Matures 2023; 4.65%	3,353,703	0	330,006	3,023,697 *	345,530
	<u>3,428,050</u>	<u>0</u>	<u>404,353</u>	<u>3,023,697</u>	<u>345,530</u>
OPWC - 1996 Wastewater Treatment Plant					
Matures 2016; 0.00%	40,500	0	27,000	13,500 *	13,500
OPWC - 2004 Rock Run Road Improvements					
Matures 2024; 0.00%	38,200	0	3,820	34,380 *	3,820
OPWC - 2005 CSO Removal					
Matures 2025; 0.00%	132,746	0	12,642	120,104 *	12,642
OPWC - 2011 Commerce Drive Storm Drainage					
Matures 2042; 0.00%	230,645	0	8,237	222,408 *	8,237
	<u>442,091</u>	<u>0</u>	<u>51,699</u>	<u>390,392</u>	<u>38,199</u>
Capital Improvement Bonds - 2005					
Matures 2025; 3.00% to 4.80%	354,000	0	24,000	330,000 *	25,000
Fire Truck Bond, Series 2014					
Matures 2024; 3.25%	415,875	0	40,655	375,220	36,569
Net Pension Liability:					
OPERS	1,287,201	29,746	0	1,316,947	0
OPF	1,916,999	122,060	0	2,039,059	0
	<u>3,204,200</u>	<u>151,806</u>	<u>0</u>	<u>3,356,006</u>	<u>0</u>
Compensated Absences	183,857	112,217	100,248	195,826	101,974
Capital Lease	85,290	214,635	113,011	186,914	114,234
	<u>\$ 8,113,363</u>	<u>\$ 478,658</u>	<u>\$ 733,966</u>	<u>\$ 7,858,055</u>	<u>\$ 661,506</u>

*These debt issues are recorded in governmental activities to finance assets of the business-type activities. See notation on Page 13 and 20 for a further description of the presentation on the statement of net position.

City of Upper Sandusky
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For the Year Ended December 31, 2015

	Restated Balance 12/31/2014	Additions	Deductions	Balance 12/31/2015	Amount Due Within One Year
Business-Type Activities:					
OWDA - 2010 WTP & Storage Tower Matures 2041; 3.31%	\$ 14,105,349	\$ 0	\$ 339,441	\$ 13,765,908	\$ 350,769
OWDA - 2010 Sewer System Planning Matures 2016; 3.91%	138,485	4,617	7,278	135,824	7,278
OWDA - 2013 LTCP Planning Matures 2018; 3.67%	197,329	6,581	12,976	190,934	12,975
OWDA - 2013 Warpole Waterlines installed Matures 2043; 2.69%	501,418	0	4,283	497,135	22,120
OWDA - 2013 NE Quadrant Waterlines Matures 2034; 2%	1,566,627	0	62,707	1,503,920	75,196
	<u>16,509,208</u>	<u>11,198</u>	<u>426,685</u>	<u>16,093,721</u>	<u>468,338</u>
OPWC - 2013 Elevated Tank Painting Matures 2043; 0%	491,667	0	16,667	475,000	16,667
OPWC - 2013 Waterline replacement Matures 2043; 0%	345,969	0	11,532	334,437	11,532
OPWC - 2013 Waterline replacement Matures 2043; 0%	416,822	0	13,894	402,928	13,894
	<u>1,254,458</u>	<u>0</u>	<u>42,093</u>	<u>1,212,365</u>	<u>42,093</u>
Net Pension Liability-OPERS:					
Water	382,504	8,839	0	391,343	0
Sewer	225,473	5,210	0	230,683	0
Sanitation	133,067	3,075	0	136,142	0
	<u>741,044</u>	<u>17,124</u>	<u>0</u>	<u>758,168</u>	<u>0</u>
Compensated Absences	51,480	58,421	45,150	64,751	48,300
	<u>\$ 18,556,190</u>	<u>\$ 86,743</u>	<u>\$ 513,928</u>	<u>\$ 18,129,005</u>	<u>\$ 558,731</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 general and capital improvement funds.

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 matured on July, 2015.

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 matured on December, 2015.

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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 July 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 July 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% - 5% 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 \$15,209,357. 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 \$170,772. The retirement of this 3.91% interest loan will be made by the sewer fund. As of December 31, 2015 only \$168,575 was disbursed; therefore, no amortization schedule is available.

The OWDA loan financed the 2013 long term control plan project in the amount of \$232,464. 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.

The OWDA loan financed the 2013 waterline project on Warpole Street in the amount of \$533,351. 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.

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The OWDA loan financed the 2013 waterline project on the NE Quadrant and tank painting in the amount of \$ \$1,603,297. 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 July 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 July 1, 2044.

Capital leases for governmental activities will be paid from the general fund, special project fund and the capital improvement 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. The City pays obligations related to employee compensation from the fund benefitting from their services.

Principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2015 are as follows:

Fiscal Year Ending December 31,	Governmental Activities							
	OWDA Loans		OPWC Loans		Bonds		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
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	415,278	66,882	24,699	0	73,560	17,445	513,537	84,327
2021-2025	1,125,682	79,720	113,359	0	368,096	42,686	1,607,137	122,406
2026-2030	0	0	41,185	0	0	0	41,185	0
2031-2035	0	0	41,186	0	0	0	41,186	0
2036-2040	0	0	41,190	0	0	0	41,190	0
2041-2042	0	0	16,477	0	0	0	16,477	0
	<u>\$ 3,023,697</u>	<u>\$ 592,509</u>	<u>\$ 390,392</u>	<u>\$ 0</u>	<u>\$ 705,220</u>	<u>\$ 154,825</u>	<u>\$ 4,119,309</u>	<u>\$ 747,334</u>

Fiscal Year Ending December 31,	Business-Type Activities							
	Water OWDA		Water OPWC		Water Total		Sewer OWDA	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2016	448,085	495,018	42,093	0	490,178	495,018	20,253	0
2017	461,902	481,202	42,095	0	503,997	481,202	306,505	34,341
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	506,035	437,070	42,093	0	548,128	437,070	0	0
2021-2025	2,775,133	1,940,384	210,465	0	2,985,598	1,940,384	0	0
2026-2030	3,233,554	1,481,963	210,465	0	3,444,019	1,481,963	0	0
2031-2035	3,364,869	956,887	210,465	0	3,575,334	956,887	0	0
2036-2040	3,615,134	402,578	210,464	0	3,825,598	402,578	0	0
2041-2044	395,231	6,541	160,039	0	555,270	6,541	0	0
	<u>\$15,766,963</u>	<u>\$ 7,120,831</u>	<u>\$ 1,212,365</u>	<u>\$ 0</u>	<u>\$16,979,328</u>	<u>\$ 7,120,831</u>	<u>\$ 326,758</u>	<u>\$ 34,341</u>

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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. The original cost of assets acquired under capital lease and included in the governmental activities was \$326,872 with accumulated depreciation of \$87,102. 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, 2015:

Fiscal Year Ending December 31,	Governmental Activities
2016	\$ 68,885
2017	75,133
2018	52,850
Total Minimum Lease Payments	196,868
Less Amount Representing Interest	(9,954)
Present Value of Future Minimum Lease Payments	\$ 186,914

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

Net Pension Asset/Liability

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

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

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

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

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

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

	<u>State and Local</u>
2015 Statutory Maximum Contribution Rates	
Employer	14.00 %
Employee	10.00 %
2015 Actual Contribution Rates	
Employer:	
Pension	12.00 %
Post-employment Health Care Benefits	2.00
Total Employer	<u>14.00 %</u>
Employee	<u>10.00 %</u>

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Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$266,230 for 2015. Of this amount, \$30,014 is reported as due to other governments.

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

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

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

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

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

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

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

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

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	Police	Firefighters
2015 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.0 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %
2015 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2015 through July 1, 2015	11.50 %	11.50 %
July 2, 2015 through December 31, 2015	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$163,115 for 2015. Of this amount \$23,174 is reported as due to other governments.

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

The net pension asset/liability for OPERS was measured as of December 31, 2014, and the total pension asset/liability used to calculate the net pension asset/liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. The City's proportion of the net pension asset/liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Proportionate Share of the Net Pension Asset	\$ 0	\$ 2,299	\$ 0	\$ 2,299
Proportionate Share of the Net Pension Liability	\$ 2,075,115	\$ 0	\$ 2,039,059	\$ 4,114,174
Proportion of the Net Pension Asset/Liability	0.01720500%	0.00597100%	0.03936090%	
Pension Expense	\$ 225,720	\$ 1,509	\$ 198,901	\$ 426,130

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At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
Deferred Outflows of Resources				
Net difference between projected and actual earnings on pension plan investments	\$ 110,722	\$ 140	\$ 87,882	\$ 198,744
City contributions subsequent to the measurement date	<u>263,880</u>	<u>2,350</u>	<u>163,115</u>	<u>429,345</u>
Total Deferred Outflows of Resources	<u>\$ 374,602</u>	<u>\$ 2,490</u>	<u>\$ 250,997</u>	<u>\$ 628,089</u>
Deferred Inflows of Resources				
Differences between expected and actual experience	<u>\$ 36,456</u>	<u>\$ 702</u>	<u>\$ 0</u>	<u>\$ 37,158</u>

\$429,345 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or addition of the net pension asset in the year ending December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS Traditional Plan	OPERS Combined Plan	OPF	Total
2016	\$ 10,860	\$ (48)	\$ 21,971	\$ 32,783
2017	10,860	(48)	21,971	32,783
2018	24,867	(48)	21,971	46,790
2019	27,679	(48)	21,969	49,600
2020	0	(83)	0	(83)
Thereafter	<u>0</u>	<u>(287)</u>	<u>0</u>	<u>(287)</u>
	<u>\$ 74,266</u>	<u>\$ (562)</u>	<u>\$ 87,882</u>	<u>\$ 161,586</u>

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension asset/liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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<u>Actuarial Information</u>	<u>Traditional Pension Plan</u>	<u>Combined Pension Plan</u>
Wage Inflation	3.75%	3.75%
Future Salary Increases, including inflation	4.25% to 10.05%, including wage inflation	4.25% to 8.05%, including wage inflation
COLA or Ad Hoc COLA	3.00%, simple	3.00%
Investment Rate of Return	8.00%	8.00%
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105% of the combined healthy male mortality rates were used. For females, 100% of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120% of the disabled female mortality rates were used set forward two years. For females, 100% of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2010.

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

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95% for 2014.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other Investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

Discount Rate The discount rate used to measure the total pension asset/liability was 8%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset/liability.

Sensitivity of the City's Proportionate Share of the Net Pension Asset/Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension asset/liability calculated using the current period discount rate assumption of 8%, as well as what the City's proportionate share of the net pension asset/liability would be if it were calculated using a discount rate that is one-percentage-point lower (7%) or one-percentage-point higher (9%) than the current rate:

City's proportionate share of the net pension (asset)/liability:	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
Traditional Plan	\$ 3,817,617	\$ 2,075,115	\$ 607,509
Combined Plan	299	(2,299)	(4,359)

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2014 is based on the results of an actuarial valuation date of January 1, 2014, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

Valuation Date	January 1, 2014
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.25%
Projected Salary Increases	4.25% to 11.00%
Payroll Increases	3.75%
Inflation Assumptions	3.25%
Cost of Living Adjustments	2.60% and 3.00%

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

The most recent experience study was completed January 1, 2012.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF's target asset allocation as of December 31, 2014 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income*	20.00	1.62
Global Inflation Protected*	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00</u> %	

* levered 2x

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

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

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25%), or one percentage point higher (9.25%) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability:	\$ 2,820,327	\$ 2,039,059	\$ 1,377,562

NOTE 13 -- POSTEMPLOYMENT 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 two cost-sharing multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a Health Reimbursement Arrangement and Medicare Part B premium reimbursements, to qualifying benefit recipients of both the Traditional Pension and the Combined plans. Members of the Member-Directed Plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined plans must have 20 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. Please see the Plan Statement in the OPERS 2014 CAFR details.

The Ohio Revised Code permits, but does not mandate, OPERS to provide health care benefits to its eligible benefit recipients. 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/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, State and Local employers contributed at a rate of 14.0% of earnable salary 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 member contributions do not fund health care.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 2.0% during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016 remained at 2.0% for both plans. The Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5%.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2015, 2014, and 2013 were \$44,372, \$140,238 and \$132,381, respectively. For 2015, 89% has been contributed with the balance being reported as due to other governments. The full amount has been contributed for 2014 and 2013.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

B. OHIO POLICE AND FIRE PENSION FUND

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

OPF 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 OPF meets the definition of an Other Post-employment Benefit (OPEB) as described in GASB Statement 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF 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 OPF, 140 East Town Street, Columbus, Ohio 43215-5164. That report is also available on OPF's website at www.op-f.org.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OPF 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.

OPF 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 OPF 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, 2015 through December 31, 2015. 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 OPF 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.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

The City's contributions to OPF, which were allocated to fund post-employment health care benefits, for police and firefighters were \$3,441 and \$689 for the year ended December 31, 2015, \$51,728 and \$12,393 for the year ended December 31, 2014, and \$54,922 and \$13,266 for the year ended December 31, 2013. 86% has been contributed for police and 85% has been contributed for firefighters for 2015. The full amount has been contributed for 2014 and 2013.

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.

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	\$ 22,543
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NOTE 15 -- TRANSFERS

Interfund transfers for the year ended December 31, 2015, consisted of the following:

Fund	Transfers In	Transfers Out
General	\$ 100,000	\$ 61,400
Capital Improvement Fund	654,134	0
Other Governmental	0	100,000
Water	0	482,161
Sewer	0	92,956
Sanitation	0	17,617
	\$ 754,134	\$ 754,134

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

In the year ended December 31, 2015, the City made transfers of \$592,734 from the water, sewer, and sanitation 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 \$61,400 from the general fund to the capital improvement fund was to assist in debt payment. During 2015, 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.

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	\$ 1,509	\$ 0	\$ 29,119	\$ 30,628
Total Nonspendable	1,509	0	29,119	30,628
Restricted for:				
Capital Projects	0	296,543	0	296,543
Indigent Drivers Fund	0	0	281,775	281,775
CDBG Revolving Loan	0	0	475,148	475,148
Special Projects	0	0	220,499	220,499
Other Purposes	0	0	354,127	354,127
Total Restricted	0	296,543	1,331,549	1,628,092
Committed to:				
Parks and Recreation	0	0	389,094	389,094
Total Committed	0	0	389,094	389,094
Assigned for:				
Encumbrances				
Legislative	22,543	0	0	22,543
Subsequent Year Appropriations	567,400	0	0	567,400
Total Assigned	589,943	0	0	589,943
Unassigned	651,540	0	0	651,540
Total Fund Balance	\$ 1,242,992	\$ 296,543	\$ 1,749,762	\$ 3,289,297

NOTE 17 – SUBSEQUENT EVENT

Beginning in April 2016, the City implemented a new accounting system for payroll and general ledger.

City of Upper Sandusky
Wyandot County, Ohio
Notes to the Financial Statements
For the Year Ended December 31, 2015

Note 18 – Non-compliance

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. During 2015, the City made expenditures without proper certification by the fiscal officer. The City is in the process of implementing purchase orders over these expenditures.

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City of Upper Sandusky
Wyandot County, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Asset/Liability
Last Two Years (1)

	<u>2014</u>	<u>2013</u>
<i>Ohio Public Employees' Retirement System (OPERS) - Traditional Plan</i>		
City's Proportion of the Net Pension Liability (Asset)	0.0172050%	0.0172050%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,075,115	\$ 2,028,245
City's Covered-Employee Payroll	\$ 2,109,300	\$ 2,523,477
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	98.38%	80.38%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%
<i>Ohio Public Employees' Retirement System (OPERS) - Combined Plan</i>		
City's Proportion of the Net Pension Liability (Asset)	0.0059710%	0.0059710%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ (2,299)	\$ (627)
City's Covered-Employee Payroll	\$ 21,825	\$ 22,477
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	10.53%	2.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	114.83%	104.56%
<i>Ohio Police and Fire Pension Fund (OPF)</i>		
City's Proportion of the Net Pension Liability (Asset)	0.0393609%	0.0393609%
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,039,059	\$ 1,916,999
City's Covered-Employee Payroll	\$ 949,932	\$ 827,098
City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	214.65%	231.77%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2013 is not available.

City of Upper Sandusky
Wyandot County, Ohio
Required Supplementary Information
Schedule of City Contributions
Last Ten Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
<i>Ohio Public Employees' Retirement System (OPERS) - Traditional Plan</i>			
Contractually Required Contribution	\$ 263,880	\$ 253,116	\$ 328,052
Contributions in Relation to the Contractually Required Contribution	<u>(263,880)</u>	<u>(253,116)</u>	<u>(328,052)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 2,199,000	\$ 2,109,300	\$ 2,523,477
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%
<i>Ohio Public Employees' Retirement System (OPERS) - Combined Plan</i>			
Contractually Required Contribution	\$ 2,350	\$ 2,619	\$ 2,922
Contributions in Relation to the Contractually Required Contribution	<u>(2,350)</u>	<u>(2,619)</u>	<u>(2,922)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 19,583	\$ 21,825	\$ 22,477
Contributions as a percentage of covered-employee payroll	12.00%	12.00%	13.00%
<i>Ohio Police and Fire Pension Fund (OPF)</i>			
Contractually Required Contribution	\$ 163,115	\$ 164,723	\$ 137,644
Contributions in relation to the contractually required contribution	<u>(163,115)</u>	<u>(164,723)</u>	<u>(137,644)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
City's covered-employee payroll	\$ 825,885	\$ 949,932	\$ 827,098
Contributions as a percentage of covered-employee payroll	19.75%	17.34%	16.64%

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

<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a	n/a	n/a	n/a
\$ 144,330	\$ 129,520	\$ 106,832	\$ 93,657	\$ 140,051	\$ 131,745	\$ 126,872
<u>(144,330)</u>	<u>(129,520)</u>	<u>(106,832)</u>	<u>(93,657)</u>	<u>(140,051)</u>	<u>(131,745)</u>	<u>(126,872)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 1,078,453	\$ 943,821	\$ 790,367	\$ 694,323	\$ 1,041,817	\$ 980,030	\$ 1,020,677
13.38%	13.72%	13.52%	13.49%	13.44%	13.44%	12.43%

July 19, 2017

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, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 19, 2017, wherein we noted the City restated net position to account for the implementation of Governmental Accounting Standard Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*."

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.

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.

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

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 matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying *Schedule of Findings and Responses* as item 2015-001.

The City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying *Schedule of Findings and Responses*. 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 and Responses
For the Year Ended December 31, 2015

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS
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Finding Number: 2015-001

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.
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: Several City purchases of goods and services lack supporting purchase orders.

Cause: Under 5705.41(D)(2), the City had previously 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.

City of Upper Sandusky
Wyandot County, Ohio
Schedule of Findings and Responses(Continued)
For the Year Ended December 31, 2015

FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS (CONTINUED)
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Finding Number: 2015-001 (Continued)

Material Non-Compliance - Fiscal Officer Certification

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 in accordance with Ohio revised code. In addition, with changes in procedure, 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: By ordinance, we have rescinded our exemption of purchases less than \$1,000 from fiscal officer certification. We are in the process of reviewing 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.

City of Upper Sandusky
Wyandot County, Ohio
Schedule of Prior Audit Findings
For the Year Ended December 31, 2015

Finding Number	Finding Summary	Fully Corrected?	Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid Explain
2014-001	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	Partially corrected. The City has made significant improvements in informing departments of standard procedures and tightening compliance of these procedures and to ensure proper segregation of duties in the purchasing process. Department heads review budget vs. actual expenditure reports monthly to monitor purchases. The City is in the process of researching purchasing policies and procedures to determine the best method of informing staff of purchasing policies. This will be downgraded to a management letter comment.
2014-002	Ohio Revised Code Section 5705.41(D): Expenditures without certificate from fiscal officer	No	Repeated as Finding 2015-001. The City adopted an ordinance rescinding the exemption of purchases less than \$1,000 from fiscal officer certification. The City is in the process of educating and informing appropriate individuals to ensure the City's procedures and Ohio Revised Code are followed.



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
OCTOBER 3, 2017**