

City of Generic, Ohio
Management's Discussion and Analysis
For the Year Ended December 31, 2018
 Unaudited

The City of Generic as a Whole

The Statement of Net Position provides an overall view of the City. Table 1 shows a summary of the City's net position for 2018 as they compare to 2017.

2018 amounts tie to page 6

(Table 1)
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and Other Assets	\$8,891,011	\$8,511,626	\$15,187,677	\$13,423,890	\$24,078,688	\$21,935,516
Net Pension Asset	22,816	0	17,927	0	40,743	0
Capital Assets, Net	19,380,900	18,574,027	23,197,892	21,527,966	42,578,792	40,101,993
<i>Total Assets</i>	28,294,727	27,085,653	38,403,496	34,951,856	66,698,223	62,037,509
Deferred Outflows of Resources						
Deferred charge on Refunding	7,570	8,547	0	0	7,570	8,547
Pension	1,546,654	2,188,242	394,499	791,866	1,941,153	2,980,108
OPEB	768,059	27,683	82,630	13,124	850,689	40,807
<i>Total Deferred Outflows of Resources</i>	2,322,283	2,224,472	477,129	804,990	2,799,412	3,029,462
Liabilities						
Current Liabilities	1,298,549	1,178,922	175,442	310,418	1,473,991	1,489,340
Long-term Liabilities						
Due within One Year	338,790	524,362	371,999	75,058	710,789	599,420
Due in More than One Year						
Net Pension Liability	7,951,654	8,724,121	1,449,991	2,033,600	9,401,645	10,757,721
Net OPEB Liability	6,890,353	5,746,032	984,761	901,718	7,875,114	6,647,750
Other Amounts	5,416,689	4,746,371	3,249,351	604,654	8,666,040	5,351,025
<i>Total Liabilities</i>	21,896,035	20,919,808	6,231,544	3,925,448	28,127,579	24,845,256
Deferred Inflows of Resources						
Property Taxes	930,490	1,003,217	0	0	930,490	1,003,217
Payments in Lieu of Taxes	103,287	122,605	0	0	103,287	122,605
Pension	820,595	240,192	368,227	50,891	1,188,822	291,083
OPEB	158,900	0	73,359	0	232,259	0
<i>Total Deferred Inflows of Resources</i>	2,013,272	1,366,014	441,586	50,891	2,454,858	1,416,905
Net Position						
Net Investment in Capital Assets	14,032,385	13,449,216	19,725,445	21,004,863	33,757,830	34,454,079
Restricted for:						
Capital Projects	1,972,433	1,759,361	0	0	1,972,433	1,759,361
Debt Service	0	82,422	0	0	0	82,422
Streets	494,924	520,810	0	0	494,924	520,810
Parks	186,938	180,790	0	0	186,938	180,790
Law Enforcement	81,162	80,490	0	0	81,162	80,490
Community Environment	168,076	125,115	0	0	168,076	125,115
Other Purposes	56,598	49,055	0	0	56,598	49,055
Unrestricted	(10,284,813)	(9,222,956)	12,482,050	10,775,644	2,197,237	1,552,688
<i>Total Net Position</i>	\$6,707,703	\$7,024,303	\$32,207,495	\$31,780,507	\$38,915,198	\$38,804,810

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

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

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

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

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

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

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

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation had the effect of restating net position at December 31, 2017, from \$12,742,652 to \$7,024,303 for governmental activities and from \$32,669,101 to \$31,780,507 for business-type activities. [see page 14](#)

Include any other analysis of current year to prior year.

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

(Table 2)
Changes in Net Position

[2018 amounts tie to page 7-8](#)

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Program Revenues						
Charges for Services and Assessments	\$345,194	\$328,523	\$4,933,661	\$4,415,577	\$5,278,855	\$4,744,100
Operating Grants and Contributions	765,820	770,179	1,320	0	767,140	770,179
Total Program Revenues	1,111,014	1,098,702	4,934,981	4,415,577	6,045,995	5,514,279
General Revenues						
Property Taxes	1,016,215	975,609	0	0	1,016,215	975,609
Municipal Income Tax	6,400,697	6,373,597	0	0	6,400,697	6,373,597
Grants and Entitlements not Restricted to Specific Programs	190,290	188,763	0	0	190,290	188,763
Payments in Lieu of Taxes	73,463	152,429	0	0	73,463	152,429
Interest	78,420	216,657	16,444	13,693	94,864	230,350
Gain on Sale of Capital Assets	4,026	0	0	0	4,026	0
Other	680,186	667,877	154,680	157,583	834,866	825,460
Total General Revenues	8,443,297	8,574,932	171,124	171,276	8,614,421	8,746,208
Total Revenues	\$9,554,311	\$9,673,634	\$5,106,105	\$4,586,853	\$14,660,416	\$14,260,487

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Management's Discussion and Analysis
For the Year Ended December 31, 2018
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(Table 2)
Changes in Net Position

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Program Expenses						
General Government	\$1,481,909	\$1,467,429	\$0	\$0	\$1,481,909	\$1,467,429
Security of Persons and Property	5,075,205	4,596,208	0	0	5,075,205	4,596,208
Public Health Services	130,007	99,292	0	0	130,007	99,292
Transportation	2,440,157	1,237,943	0	0	2,440,157	1,237,943
Community Development	152,950	131,760	0	0	152,950	131,760
Leisure Time Activities	497,319	508,869	0	0	497,319	508,869
Interest and Fiscal Charges	100,241	143,828	0	0	100,241	143,828
Water	0	0	2,138,981	2,119,420	2,138,981	2,119,420
Wastewater	0	0	2,533,259	2,428,400	2,533,259	2,428,400
Total Program Expenses	9,877,788	8,185,329	4,672,240	4,547,820	14,550,028	12,733,149
Transfers	6,877	9,615	(6,877)	(9,615)	0	0
Change in Net Position	(316,600)	1,497,920	426,988	29,418	110,388	1,527,338
Net Position Beginning of Year	7,024,303	NA	31,780,507	NA	38,804,810	
Net Position End of the Year	\$6,707,703	\$7,024,303	\$32,207,495	\$31,780,507	\$38,915,198	\$38,804,810

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The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$40,807 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$662,315. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

See page 18

	Governmental Activities	Business-type Activities	Total
Total 2018 program expenses under GASB 75	\$9,877,788	\$4,672,240	\$14,550,028
OPEB expense under GASB 75	(574,878)	(87,437)	(662,315)
2018 contractually required contribution	12,033	541	12,574
Adjusted 2018 program expenses	9,314,943	4,585,344	13,900,287
Total 2017 program expenses under GASB 45	8,185,329	4,547,820	12,733,149
Increase in program expenses not related to OPEB	\$1,129,614	\$37,524	\$1,167,138

Include any other analysis of the program expenses.

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City of Generic, Ohio
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$5,352,727	\$13,863,550	\$19,216,277
Accrued Interest Receivable	55,887	0	55,887
Accounts Receivable	21,674	530,293	551,967
Intergovernmental Receivable	405,910	1,320	407,230
Internal Balances	(110,000)	110,000	0
Property Taxes Receivable	970,470	0	970,470
Income Taxes Receivable	1,864,151	0	1,864,151
Special Assessments Receivable	0	258,240	258,240
Materials and Supplies Inventory	206,000	402,841	608,841
Prepaid Items	20,905	21,433	42,338
Payments in Lieu of Taxes Receivable	103,287	0	103,287
Net Pension Asset	22,816	17,927	40,743
Nondepreciable Capital Assets	4,606,592	1,118,955	5,725,547
Depreciable Capital Assets, Net	14,774,308	22,078,937	36,853,245
<i>Total Assets</i>	<u>28,294,727</u>	<u>38,403,496</u>	<u>66,698,223</u>
Deferred Outflows of Resources			
Deferred Charge on Refunding	7,570	0	7,570
Pension	1,546,654	394,499	1,941,153
OPEB	768,059	82,630	850,689
<i>Total Deferred Outflows of Resources</i>	<u>2,322,283</u>	<u>477,129</u>	<u>2,799,412</u>
Liabilities			
Accounts Payable	98,787	99,393	198,180
Accrued Wages	108,552	33,661	142,213
Contracts Payable	753,884	0	753,884
Intergovernmental Payable	83,763	18,355	102,118
Accrued Interest Payable	44,746	24,033	68,779
Unearned Revenue	208,817	0	208,817
Long-Term Liabilities:			
Due Within One Year	338,790	371,999	710,789
Due In More Than One Year			
Net Pension Liability (See Note 17)	7,951,654	1,449,991	9,401,645
Net OPEB Liability (See Note 18)	6,890,353	984,761	7,875,114
Other Amounts Due in More than One Year	5,416,689	3,249,351	8,666,040
<i>Total Liabilities</i>	<u>21,896,035</u>	<u>6,231,544</u>	<u>28,127,579</u>
Deferred Inflows of Resources			
Property Taxes	930,490	0	930,490
Payments in Lieu of Taxes	103,287	0	103,287
Pension	820,595	368,227	1,188,822
OPEB	158,900	73,359	232,259
<i>Total Deferred Inflows of Resources</i>	<u>2,013,272</u>	<u>441,586</u>	<u>2,454,858</u>
Net Position			
Net Investment in Capital Assets	14,032,385	19,725,445	33,757,830
Restricted for:			
Capital Projects	1,972,433	0	1,972,433
Streets	494,924	0	494,924
Parks	186,938	0	186,938
Law Enforcement	81,162	0	81,162
Community Environment	168,076	0	168,076
Other Purposes	56,598	0	56,598
Unrestricted (Deficit)	(10,284,813)	12,482,050	2,197,237
<i>Total Net Position</i>	<u>\$6,707,703</u>	<u>\$32,207,495</u>	<u>\$38,915,198</u>

See accompanying notes to the basic financial statement:

City of Generic, Ohio
Statement of Activities
For the Year Ended December 31, 2018

	Program Revenues		
	Expenses	Charges for Services and Assessments	Operating Grants and Contributions
Governmental Activities:			
General Government	\$1,481,909	\$49,903	\$67,449
Security of Persons and Property	5,075,205	144,103	49,392
Public Health Services	130,007	60,726	4,184
Transportation	2,440,157	742	584,521
Community Development	152,950	63,718	37,623
Leisure Time Activities	497,319	26,002	22,651
Interest and Fiscal Charges	100,241	0	0
<i>Total Governmental Activities</i>	<u>9,877,788</u>	<u>345,194</u>	<u>765,820</u>
Business-Type Activities:			
Water	2,138,981	2,227,949	610
Wastewater	2,533,259	2,705,712	710
<i>Total Business-Type Activities</i>	<u>4,672,240</u>	<u>4,933,661</u>	<u>1,320</u>
<i>Total</i>	<u><u>\$14,550,028</u></u>	<u><u>\$5,278,855</u></u>	<u><u>\$767,140</u></u>

General Revenues

Property Taxes Levied for:

 General Purposes

 Park

 Fire

 Police

Income Taxes Levied for:

 General Purposes

 Debt Service

 Capital Projects

Grants and Entitlements not Restricted
to Specific Programs

Payments in Lieu of Taxes

Interest

Gain on Disposal of Capital Assets

Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

*Net Position Beginning of
Year (Restated See Note 3)*

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Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$1,364,557)	\$0	(\$1,364,557)
(4,881,710)	0	(4,881,710)
(65,097)	0	(65,097)
(1,854,894)	0	(1,854,894)
(51,609)	0	(51,609)
(448,666)	0	(448,666)
(100,241)	0	(100,241)
(8,766,774)	0	(8,766,774)
0	89,578	89,578
0	173,163	173,163
0	262,741	262,741
(8,766,774)	262,741	(8,504,033)
558,510	0	558,510
343,665	0	343,665
57,020	0	57,020
57,020	0	57,020
4,266,764	0	4,266,764
198,000	0	198,000
1,935,933	0	1,935,933
190,290	0	190,290
73,463	0	73,463
78,420	16,444	94,864
4,026	0	4,026
680,186	154,680	834,866
8,443,297	171,124	8,614,421
6,877	(6,877)	0
8,450,174	164,247	8,614,421
(316,600)	426,988	110,388
7,024,303	31,780,507	38,804,810
\$6,707,703	\$32,207,495	\$38,915,198

See page 14



**Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities**

The net pension asset, net pension liability and net OPEB liability are not due and payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds:

Net Pension Asset	\$22,816	
Deferred Outflows - Pension	1,546,970	
Deferred Inflows - Pension	(820,595)	
Net Pension Liability	(7,951,654)	
Deferred Outflows - OPEB	768,059	
Deferred Inflows - OPEB	(158,900)	
Net OPEB Liability	<u>(6,890,353)</u>	
Total		<u>(\$13,483,657)</u>

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**Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balance of Governmental Funds to the Statement of Activities**

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

Pension	714,749
OPEB	12,033

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities

Pension	(1,141,457)
OPEB	(574,878)

City of Generic, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2018

	Enterprise		
	Water	Wastewater	Total
Assets			
<i>Current Assets:</i>			
Equity in Pooled Cash and Cash Equivalents	\$2,376,360	\$11,487,190	\$13,863,550
Accounts Receivable	288,382	241,911	530,293
Intergovernmental Receivable	610	710	1,320
Special Assessments Receivable	0	258,240	258,240
Materials and Supplies Inventory	380,809	22,032	402,841
Prepaid Items	11,000	10,433	21,433
Interfund Receivable	0	1,410,000	1,410,000
<i>Total Current Assets</i>	<u>3,057,161</u>	<u>13,430,516</u>	<u>16,487,677</u>
<i>Noncurrent Assets:</i>			
Net Pension Asset	8,149	9,778	17,927
Nondepreciable Capital Assets	552,356	566,599	1,118,955
Depreciable Capital Assets, Net	8,710,451	13,368,486	22,078,937
<i>Total Noncurrent Assets</i>	<u>9,270,956</u>	<u>13,944,863</u>	<u>23,215,819</u>
<i>Total Assets</i>	<u>12,328,117</u>	<u>27,375,379</u>	<u>39,703,496</u>
Deferred Outflows of Resources			
Pension	179,932	214,567	394,499
OPEB	37,559	45,071	82,630
<i>Total Deferred Outflows of Resources</i>	<u>217,491</u>	<u>259,638</u>	<u>477,129</u>
Liabilities			
<i>Current Liabilities:</i>			
Accounts Payable	26,750	72,643	99,393
Accrued Wages	15,368	18,293	33,661
Intergovernmental Payable	8,645	9,710	18,355
Interfund Payable	1,300,000	0	1,300,000
Accrued Interest Payable	0	24,033	24,033
OPWC Loans Payable	54,196	0	54,196
Compensated Absences Payable	8,784	9,019	17,803
General Obligation Bonds Payable	0	300,000	300,000
<i>Total Current Liabilities</i>	<u>1,413,743</u>	<u>433,698</u>	<u>1,847,441</u>
<i>Long-Term Liabilities (net of current portion):</i>			
OPWC Loans Payable	418,251	0	418,251
Compensated Absences Payable	61,075	70,025	131,100
General Obligation Bonds Payable	0	2,700,000	2,700,000
Net Pension Liability	659,087	790,904	1,449,991
Net OPEB Liability	447,618	537,143	984,761
<i>Total Long-Term Liabilities</i>	<u>1,586,031</u>	<u>4,098,072</u>	<u>5,684,103</u>
<i>Total Liabilities</i>	<u>2,999,774</u>	<u>4,531,770</u>	<u>7,531,544</u>
Deferred Inflows of Resources			
Pension	176,834	191,393	368,227
OPEB	33,345	40,014	73,359
<i>Total Deferred Outflows of Resources</i>	<u>210,179</u>	<u>231,407</u>	<u>441,586</u>
Net Position			
Net Investment in Capital Assets	8,790,360	10,935,085	19,725,445
Unrestricted	545,295	11,936,755	12,482,050
<i>Total Net Position</i>	<u>\$9,335,655</u>	<u>\$22,871,840</u>	<u>\$32,207,495</u>

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See accompanying notes to the basic financial statements

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

	Enterprise		
	Water	Wastewater	Total
Operating Revenues			
Charges for Services	\$2,227,949	\$2,705,712	\$4,933,661
Intergovernmental	610	710	1,320
Other	64,480	90,200	154,680
<i>Total Operating Revenues</i>	<u>2,293,039</u>	<u>2,796,622</u>	<u>5,089,661</u>
Operating Expenses			
Personal Services	903,385	1,035,436	1,938,821
Materials and Supplies	430,095	331,190	761,285
Contractual Services	415,951	631,960	1,047,911
Depreciation	384,506	466,635	851,141
Other	5,044	550	5,594
<i>Total Operating Expenses</i>	<u>2,138,981</u>	<u>2,465,771</u>	<u>4,604,752</u>
<i>Operating Income (Loss)</i>	<u>154,058</u>	<u>330,851</u>	<u>484,909</u>
Non-Operating Revenue			
Interest	0	16,444	16,444
Interest and Fiscal Charges	0	(67,488)	(67,488)
<i>Total Non-Operating Revenue (Expenses)</i>	<u>0</u>	<u>(51,044)</u>	<u>(51,044)</u>
<i>Income (Loss) before Transfers</i>	154,058	279,807	433,865
Transfers Out	(3,438)	(3,439)	(6,877)
<i>Change in Net Position</i>	150,620	276,368	426,988
<i>Net Position Beginning of Year</i>			
<i>Year (Restated See Note 3)</i> page 14	<u>9,185,035</u>	<u>22,595,472</u>	<u>31,780,507</u>
<i>Net Position End of Year</i>	<u><u>\$9,335,655</u></u>	<u><u>\$22,871,840</u></u>	<u><u>\$32,207,495</u></u>

See accompanying notes to the basic financial statements

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

	Enterprise		
	Water	Wastewater	Total
<i>Increase in Cash and Cash Equivalents</i>			
Cash Flows from Operating Activities			
Cash Received from Customers	\$2,229,329	\$2,729,847	\$4,959,176
Other Cash Receipts	64,480	90,200	154,680
Cash Payments to Employees for Services	(823,697)	(917,799)	(1,741,496)
Cash Payments for Goods and Services	(839,357)	(1,128,987)	(1,968,344)
Other Cash Payments	(5,044)	(550)	(5,594)
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>625,711</u>	<u>772,711</u>	<u>1,398,422</u>
Cash Flows from Noncapital Financing Activities			
Financing Activities			
Interfund Activity	1,300,000	(1,410,000)	(110,000)
Transfers Out	(3,438)	(3,439)	(6,877)
<i>Net Cash Provided by (Used for) Noncapital Financing Activities</i>	<u>1,296,562</u>	<u>(1,413,439)</u>	<u>(116,877)</u>
Cash Flows from Capital and Related Financing Activities			
Proceeds from Sale of Revenue Bonds	0	3,000,000	3,000,000
Interest Paid on Revenue Bonds	0	(43,455)	(43,455)
Payments for Capital Acquisitions	(1,730,174)	(787,353)	(2,517,527)
Principal Paid on OWPC Loans	(54,196)	0	(54,196)
<i>Net Cash Provided by (Used for) Capital and Related Financing Activities</i>	<u>(1,784,370)</u>	<u>2,169,192</u>	<u>384,822</u>
Cash Flows from Investing Activities			
Interest on Investments	0	16,444	16,444
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	137,903	1,544,908	1,682,811
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,238,457</u>	<u>9,942,282</u>	<u>12,180,739</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$2,376,360</u>	<u>\$11,487,190</u>	<u>\$13,863,550</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating Income (Loss)	<u>\$154,058</u>	<u>\$330,851</u>	<u>\$484,909</u>
Adjustments:			
Depreciation	384,506	466,635	851,141
(Increase) Decrease in Assets and Deferred Outflows:			
Accounts Receivable	1,380	(4,655)	(3,275)
Special Assessments Receivable	0	28,790	28,790
Intergovernmental Receivable	(610)	(710)	(1,320)
Materials and Supplies Inventory	6,671	(44)	6,627
Prepaid Items	(900)	(898)	(1,798)
Net Pension Asset	(4,898)	(5,880)	(10,778)
Deferred Outflows - Pension	126,909	147,230	274,139
Deferred Outflows - OPEB	23,560	28,271	51,831
Increase (Decrease) in Liabilities and Deferred Inflows:			
Accounts Payable	(1,040)	(166,730)	(167,770)
Accrued Wages	2,378	3,145	5,523
Compensated Absences Payable	(6,556)	2,390	(4,166)
Intergovernmental Payable	1,525	1,713	3,238
Net Pension Liability	14,335	17,202	31,537
Net OPEB Liability	24,274	29,130	53,404
Deferred Inflows - Pension	(91,545)	(93,726)	(185,271)
Deferred Inflows - OPEB	(8,336)	(10,003)	(18,339)
<i>Total Adjustments</i>	<u>471,653</u>	<u>441,860</u>	<u>913,513</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$625,711</u>	<u>\$772,711</u>	<u>\$1,398,422</u>

See accompanying notes to the basic financial statements

Note 2 – Summary of Significant Accounting Policies

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 17 and 18.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 17 and 18)

Accrued Liabilities and Long-term Obligations

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

Pensions/Other Postemployment Benefits (OPEB)

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

City of Generic, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 3 – Change in Accounting Principle and Restatement of Net Position

For 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus 2017*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

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

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

	See page 25	Governmental	Business - Type
		<u>Activities</u>	<u>Activities</u>
Net Position December 31, 2017		\$12,742,652	\$32,669,101
Adjustments:			
Net OPEB Liability	totals 40,807 to pg 4	(5,746,032)	(901,718)
Deferred Outflow - Payments Subsequent to Measurement Date		<u>27,683</u>	<u>13,124</u>
Restated Net Position December 31, 2017		<u>\$7,024,303</u>	<u>\$31,780,507</u>

	Ties to page 8		
	Water	Wastewater	Enterprise
Net Position December 31, 2017	<u>\$9,588,941</u>	<u>\$23,080,160</u>	<u>\$32,669,101</u>
Adjustments:			
Net Pension Liability	(409,872)	(491,846)	(901,718)
Deferred Outflow - Payments Subsequent to Measurement Date	<u>5,966</u>	<u>7,158</u>	<u>13,124</u>
Restated Net Position December 31, 2017	<u>\$9,185,035</u>	<u>\$22,595,472</u>	<u>\$31,780,507</u>

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

Note 18 - Defined Benefit OPEB Plans

Net OPEB Liability

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

City of Generic, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

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

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

City of Generic, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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

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

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$1,230 for 2018. Of this amount, \$97 is reported as an intergovernmental payable.

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

to p 28, from City records

from City records

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

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

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

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

City of Generic, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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

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

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

from City records

The City's contractually required contribution to OP&F was \$11,344 for 2018. Of this amount, \$1,291 is reported as an intergovernmental payable.

to p 30, from City records

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

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

City of Generic, Ohio
Notes to the Basic Financial Statements
 For the Year Ended December 31, 2018

	OPERS	OP&F	
from OPEB plan			
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.020610%	0.0994910%	to page 27
Prior Measurement Date	0.020290%	0.0968740%	
Change in Proportionate Share	<u>0.0003200%</u>	<u>0.0026170%</u>	
Proportionate Share of the Net OPEB Liability	\$2,238,094	\$5,637,020	Total \$7,875,114
OPEB Expense	\$198,719	\$463,596	\$662,315
starts from amount from OPEB plan with any other adjustments			To page 4

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

	OPERS	OP&F	Total
from OPEB plan			
Deferred Outflows of Resources			
Differences between expected and actual experience	\$1,743	\$0	\$1,743
Changes of assumptions	162,957	550,053	713,010
Changes in proportion and differences between City contributions and proportionate share of contributions	21,867	101,495	123,362
City contributions subsequent to the measurement date	1,230	11,344	12,574
Total Deferred Outflows of Resources	<u>\$187,797</u>	<u>\$662,892</u>	<u>\$850,689</u>
from City records			
Deferred Inflows of Resources			
Differences between expected and actual experience	\$0	\$28,431	\$28,431
Net difference between projected and actual earnings on OPEB plan investments	166,723	37,105	203,828
Changes in proportion and differences between City contributions and proportionate share of contributions	0	0	0
Total Deferred Inflows of Resources	<u>\$166,723</u>	<u>\$65,536</u>	<u>\$232,259</u>

\$12,574 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

City of Generic, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Year Ending December 31:	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
2019	\$47,517	\$81,822	\$129,339
2020	47,517	81,822	129,339
2021	(33,510)	81,822	48,312
2022	(41,680)	81,822	40,142
2023	0	91,098	91,098
Thereafter	<u>0</u>	<u>167,626</u>	<u>167,626</u>
Total	<u><u>\$19,844</u></u>	<u><u>\$586,012</u></u>	<u><u>\$605,856</u></u>

tie to 1 + 2 + 3 - 4 on page 18

Actuarial Assumptions - OPERS

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

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

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

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

City of Generic, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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

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

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

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

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

City of Generic, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

collective amounts from OPEB plan multiplied by the City's proportionate share percentage	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	\$2,973,405	\$2,238,094	\$1,643,235

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

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

collective amounts from OPEB plan multiplied by the City's proportionate share percentage	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$1,141,379	\$2,238,094	\$2,337,998

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Actuarial Assumptions – OP&F

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

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

City of Generic, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

City of Generic, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

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

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

Note: Assumptions are geometric.

* levered 2x

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

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

City of Generic, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

collective amounts from OPEB plan multiplied by the City's proportionate share percentage

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$7,046,344	\$5,637,020	\$4,552,598

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

Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

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

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

collective amounts from OPEB plan multiplied by the City's proportionate share percentage

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	\$4,378,939	\$5,637,020	\$7,332,489

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Changes between Measurement Date and Report Date

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

City of Generic, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2018

Note 15 - Long-Term Obligations

A+B = \$7,875,114 (OPERS & OPF NOL) See pg 18

A schedule of changes in bonds and other long-term obligations of the City during 2017 follows:

	Amount Outstanding 12/31/2017	Additions	Deletions	Amount Outstanding 12/31/2018	Amounts Due In One Year
Business-Type Activities:					
<i>Ohio Public Works Commission</i>					
Stewart Road Water Tank	\$71,750	\$0	(\$20,500)	\$51,250	\$20,500
Roosevelt Ave Water Tank	454,893	0	(33,696)	421,197	33,696
Total Ohio Public Works Commission	526,643	0	(54,196)	472,447	54,196
Wastewater System Improvement Bond	0	3,000,000	0	3,000,000	300,000
<i>Other Long-term Liabilities:</i>					
Net Pension Liability - OPERS:					
Water	924,364	0	(265,277)	659,087	0
Sewer	1,109,236	0	(318,332)	790,904	0
Total Net Pension Liability - OPERS	2,033,600	0	(583,609)	1,449,991	0
Net OPEB Liability - OPERS:					
Water	409,872	37,746	0	447,618	0
Sewer	491,846	45,297	0	537,143	0
Total Net OPEB Liability - OPERS	901,718	83,043	0	984,761	0
Compensated Absences	153,069	16,696	(20,862)	148,903	17,803
Total Other Long-term Liabilities	3,088,387	182,782	(604,471)	3,568,416	17,803
Total Business-Type Activities Obligations	\$3,615,030	\$3,182,782	(\$658,667)	\$7,040,863	\$371,999
Governmental Activities Obligations:					
<i>General Obligation Bonds</i>					
Street Improvement TIF	\$170,000	\$0	(\$170,000)	\$0	\$0
Premium on Street Improvement TIF	3,468	0	(3,468)	0	0
Various Purpose Bonds, Series A	217,024	0	(33,939)	183,085	30,647
Various Purpose Bonds, Series B	30,431	0	(8,178)	22,253	7,854
Various Purpose Refunding Bonds, Series 2014	1,390,000	0	(140,198)	1,249,802	140,000
Total General Obligation Bonds	1,810,923	0	(355,783)	1,455,140	178,501
<i>Ohio Public Works Commission Loan</i>					
East Pershing Street Improvement	313,484	0	(12,539)	300,945	12,539
<i>Other Long-term Liabilities:</i>					
Net Pension Liability					
OPERS	2,588,221	0	(742,778)	1,845,443	0
OP&F	6,135,900	0	(29,689)	6,106,211	0
Total Net Pension Liability:	8,724,121	0	(772,467)	7,951,654	0
Net OPEB Liability					
OPERS	1,147,641	105,692	0	1,253,333	0
OP&F	4,598,391	1,038,629	0	5,637,020	0
Total Net OPEB Liability:	5,746,032	1,144,321	0	6,890,353	0
Infrastructure Improvement Notes	2,700,000	3,600,000	(2,700,000)	3,600,000	0
Compensated Absences	446,326	117,363	(164,295)	399,394	147,750
Total Governmental Activities Obligations	\$19,740,886	\$4,861,684	(\$4,005,084)	\$20,597,486	\$338,790

The City pays obligations related to employee compensation from the fund benefitting from their service. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds; the general fund, the police pension, fire pension, street construction maintenance and repair, municipal income tax, health and park special revenue funds, and the water and wastewater funds.

City of Generic, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net OPEB Liability
Ohio Public Employees Retirement System - OPEB Plan
Last Two Years (1)

	2018	2017
Ties to amounts on page 18		
City's Proportion of the Net OPEB Liability	0.020610%	0.020290%
City's Proportionate Share of the Net OPEB Liability	\$2,238,094	\$2,049,359
City's Covered Payroll	\$2,919,567	\$2,804,067
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.66%	73.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

from city records

from OPEB plan CAFR

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

City of Generic, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net OPEB Liability
Ohio Police and Fire Pension Fund
Last Two Years (1)

	2018	2017
City's Proportion of the Net OPEB Liability	0.0994910%	0.0968740%
City's Proportionate Share of the Net OPEB Liability	\$5,637,020	\$4,598,391
City's Covered Payroll	\$2,195,764	\$2,099,783
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	256.72%	218.99%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

Ties to amounts on page 18

from city records

from OPEB plan CAFR

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information

City of Generic, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Ohio Public Employees Retirement System
Last Three Years (1)

amounts prior to 2017
from prior financial
statements

	2018	2017	2016
Contractually Required Contribution	\$1,230	\$29,828	\$57,096
Contributions in Relation to the Contractually Required Contribution	<u>(1,230)</u>	<u>(29,828)</u>	<u>(57,096)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (2)	\$3,075,707	\$2,919,567	\$2,804,067
OPEB Contributions as a Percentage of Covered Payroll	<u>0.04%</u>	<u>1.02%</u>	<u>2.04%</u>

see page 16 & 18

see page 26

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

See accompanying notes to the required supplementary information

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City of Generic, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Ohio Police and Fire Pension Fund
Last Ten Years

amounts prior to 2017
from prior financial
statements

	2018	2017	2016	2015
see page 17 & 18 →				
Contractually Required Contribution	\$11,344	\$10,979	\$10,499	\$10,237
Contributions in Relation to the Contractually Required Contribution	(11,344)	(10,979)	(10,499)	(10,237)
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$2,268,909	\$2,195,764	\$2,099,783	\$2,047,305
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
See accompanying notes to the required supplementary information			see page 27	

2014	2013	2012	2011	2010	2009
\$9,675	\$66,134	\$121,460	\$116,370	\$117,843	\$113,524
(9,675)	(66,134)	(121,460)	(116,370)	(117,843)	(113,524)
\$0	\$0	\$0	\$0	\$0	\$0
\$1,934,895	\$1,828,582	\$1,799,399	\$1,723,989	\$1,745,815	\$1,681,829
0.50%	3.62%	6.75%	6.75%	6.75%	6.75%

City of Generic, Ohio
Notes to the Required Supplementary Information
For the year ended December 31, 2018

Changes in Assumptions – OPERS OPEB

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

Changes in Assumptions – OP&F OPEB

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