CITY OF WELLSTON, OHIO

REGULAR AUDIT

For the Year Ended December 31, 2018

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

OHIO AUDITOR OF STATE
KEITH FABER

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Members of Council
City of Wellston
203 East Broadway Street
Wellston, Ohio 45692

We have reviewed the *Independent Auditor's Report* of the City of Wellston, Jackson County, prepared by J.L. Uhrig and Associates, Inc., for the audit period January 1, 2018 through December 31, 2018. 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 Wellston is responsible for compliance with these laws and regulations.

Keith Faber
Auditor of State
Columbus, Ohio

September 10, 2019

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CITY OF WELLSTON
JACKSON COUNTY, OHIO
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For the Year Ended December 31, 2018

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

Independent Auditor's Report

City of Wellston
Jackson County
20 East Broadway
Wellston, Ohio 45692

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of City of Wellston, Jackson County, Ohio, (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the designing, implementing, and maintaining internal control relevant to the preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

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

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

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Opinions

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

Emphasis of Matter

As discussed in Note 3 and Note 12 to the financial statements, during the year ended December 31, 2018, the City adopted Governmental Accounting Standard no. 75. *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, and as a result restated their December 31, 2017 net position of the governmental activities, business-type activities, Water Fund, Sewer Fund and Garbage Funds.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include Management's discussion and analysis on pages 4-14 and schedules of net pension/OPEB liabilities and pension/OPEB contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquires of management about methods of preparing the information and comparing the information for consistency with management's responses to our inquires, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 23, 2019 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. 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 provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

July 23, 2019

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

Financial Highlights

Key financial highlights for 2018 are as follows:

- The City's total net position increased by 2.2 percent, or $341,032, from the total net position at the beginning of the year.

- At the end of the current year, the City's governmental activities reported total net position of $5,916,412, a decrease of $79,451 from the prior year.

- At the end of the current year, the City's business-type activities reported total net position of $9,647,755, an increase of $420,483 from the prior year.

- At the end of the current year, unassigned fund balance for the General Fund was $963,660, which represents a 5.8 percent decrease from the prior year.

Using this Annual Financial Report

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

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 assets. 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 dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City of Wellston as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting 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 positions. This change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as the condition of City capital assets will also need to be evaluated.

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

> Governmental Activities – Most of the City's services are reported here including police, administration, and all departments with the exception of our Water, Sewer, and Garbage Funds.
>
> Business-Type Activities – Water and sewer services have charges based upon the amount of usage. The City historically has not charged fees to recoup the cost of the entire operations of our Water and Sewer Treatment Plants as well as all capital expenses associated with the facilities. Garbage collection services have charges based upon set rates. The City attempts to set fees that cover the costs of providing the service.

Reporting the City of Wellston's Most Significant Funds

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds – not the City as a whole. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial reports provide detailed information about the City's major funds. Based on the restriction on the use of monies, the City has established many funds that account for the multitude of services provided to its residents. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the General Fund, as well as the Fire Levy and Street Special Revenue Funds, and the Permanent Investment Capital Projects Fund.

Governmental Funds Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as balances of spendable resources available at the end of the year. Such information may be useful in evaluating the City's near-term financing requirements.

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

The City maintains a number of individual governmental funds. Information for the major funds, identified earlier, is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single aggregated presentation.

Enterprise Funds The City uses enterprise funds to account for its water, sewer, and garbage operations. For water and sewer operations, the City charges a fee to customers, based upon the amount of usage, in an attempt to recover the costs of the services provided. For garbage operations, the City charges a flat monthly fee.

Fiduciary Fund The City accounts for resources held for the benefit of parties outside the government as a fiduciary fund. This fund is not reflected in the government-wide financial statements because the resources of this fund are not available to support the City's own programs. The City uses accrual accounting for fiduciary funds, the same as that of the proprietary funds.

The City of Wellston as a Whole

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

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Assets						
Current and Other Assets	$6,231,842	$6,530,107	$3,787,596	$3,165,876	$10,019,438	$9,695,983
Net Pension Asset	6,764	0	11,517	0	18,281	0
Capital Assets	4,393,201	3,417,898	11,347,382	11,000,100	15,740,583	14,417,998
Total Assets	10,631,807	9,948,005	15,146,495	14,165,976	25,778,302	24,113,981
Deferred Outflows of Resources						
Pension	383,364	599,083	284,060	633,771	627,005	1,232,854
OPEB	166,950	7,522	53,383	10,720	197,963	18,242
Total Deferred Outflows	550,314	606,605	337,443	644,491	824,968	1,251,096
Liabilities						
Current and Other Liabilitites	152,264	129,012	316,388	405,797	468,652	534,809
Long-term Liabilities:						
Due Within One Year	111,407	110,380	216,901	170,888	328,308	281,268
Due in More than One Year:						
Net Pension Liability	1,829,310	2,136,524	1,019,187	1,600,724	2,848,497	3,737,248
Net OPEB Liability	1,551,228	1,363,281	706,710	716,649	2,257,938	2,079,930
Other Amounts	726,967	289,420	3,177,836	2,679,611	3,904,803	2,969,031
Total Liabilities	4,371,176	4,028,617	5,437,022	5,573,669	9,808,198	9,602,286
Deferred Inflows of of Resources						
Property Taxes	550,617	522,333	0	0	550,617	522,333
Pension	247,486	7,797	306,379	9,526	513,446	17,323
OPEB	96,430	0	92,782	0	166,842	0
Total Deferred Inflows	894,533	530,130	399,161	9,526	1,230,905	539,656
Net Position						
Net Investment in Capital Assets	3,646,955	3,151,984	7,995,385	8,249,219	11,642,340	11,401,203
Restricted for:						
Street Construction	471,438	680,927	0	0	471,438	680,927
Police Protection	18,117	12,257	0	0	18,117	12,257
Fire Protection	135,666	110,822	0	0	135,666	110,822
Cemetery	105,542	79,085	0	0	105,542	79,085
Community Development	721,130	683,109	0	0	721,130	683,109
Capital Projects	2,458,499	2,451,679	0	0	2,458,499	2,451,679
Cemetery Perpetual Care	251,268	251,268	0	0	251,268	251,268
Recreation	1,482	1,482	0	0	1,482	1,482
Unclaimed Monies	3,787	3,787	0	0	3,787	3,787
Unrestricted (Deficit)	(1,897,472)	(1,430,537)	1,652,370	978,053	(245,102)	(452,484)
Total Net Position	$5,916,412	$5,995,863	$9,647,755	$9,227,272	$15,564,167	$15,223,135

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 the year ending December 31, 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.

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 also had the effect of restating net position at December 31, 2017, from $7,351,622 to $5,995,863 for governmental activities and from $9,933,201 to $9,227,272 for business-type activities.

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

Revenues	Governmental Activities 2018	Business-Type Activities 2018	Total 2018	Governmental Activities 2017	Business-Type Activities 2017	Total 2017
Program Revenues:						
Charges for Services	$319,670	$3,174,991	$3,494,661	$343,404	$3,051,298	$3,394,702
Operating Grants and Contributions	679,712	0	679,712	398,950	0	398,950
Capital Grants and Contributions	546,960	42,524	589,484	0	315,694	315,694
Total Program Revenues	1,546,342	3,217,515	4,763,857	742,354	3,366,992	4,109,346
General Revenues:						
Property Taxes	593,920	0	593,920	586,473	0	586,473
Income Taxes	1,164,641	0	1,164,641	1,276,065	0	1,276,065
Grants and Entitlements	152,460	0	152,460	414,097	0	414,097
Investment Earnings	82,938	0	82,938	57,078	0	57,078
Gain on Sale of Capital Assets	1,800		1,800			0
Miscellaneous	115,595	100,559	216,154	95,654	94,674	190,328
Total General Revenues	2,111,354	100,559	2,211,913	2,429,367	94,674	2,524,041
Total Revenues	3,657,696	3,318,074	6,975,770	3,171,721	3,461,666	6,633,387
Program Expenses						
General Government	1,200,526	0	1,200,526	896,870	0	896,870
Security of Persons and Property:						
Police	1,122,552	0	1,122,552	1,143,392	0	1,143,392
Fire	562,262	0	562,262	556,352	0	556,352
Transportation	632,693	0	632,693	530,186	0	530,186
Leisure Time Activities	39,833	0	39,833	33,242	0	33,242
Public Health Services	52,643	0	52,643	68,806	0	68,806
Community Environment	105,530	0	105,530	83,482	0	83,482
Interest and Fiscal Charges	21,108	0	21,108	9,922	0	9,922
Water	0	1,525,389	1,525,389	0	1,594,448	1,594,448
Sewer	0	1,044,763	1,044,763	0	1,079,270	1,079,270
Garbage	0	327,439	327,439	0	336,435	336,435
Total Program Expenses	3,737,147	2,897,591	6,634,738	3,322,252	3,010,153	6,332,405
Change in Net Position	(79,451)	420,483	341,032	(150,531)	451,513	300,982
Net Position Beginning of Year (Restated)	5,995,863	9,227,272	15,223,135	N/A	N/A	N/A
Net Position End of Year	$5,916,412	$9,647,755	$15,564,167	$5,995,863	$9,227,272	$15,223,135

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 $18,242 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 negative OPEB expense of $169,675. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities	Business-type Activities	Total
Total 2018 program expenses under GASB 75	$3,737,147	$2,897,591	$6,634,738
Negative OPEB expense under GASB 75	128,118	41,557	169,675
2018 contractually required contribution	3,169	1,377	4,546
Adjusted 2018 program expenses	3,868,434	2,940,525	6,808,959
Total 2017 program expenses under GASB 45	3,322,252	3,010,153	6,332,405
Increase (Decrease) in program expenses not related to OPE	$546,182	($69,628)	$476,554

Governmental Activities

Operating grants and contributions accounted for 18.6 percent of total governmental revenues. Capital grants and contributions increased by $546,960 from 2017. This increase was primarily due to ODOT funds received to repair state highways during 2018. Property Tax revenue provided 16.2 percent of total governmental revenues, and 31.8 percent was generated from income taxes. Income taxes, property taxes, and unrestricted grants and entitlements combined together, provided 52.2 percent of the City's total governmental revenues.

The City received $319,670, or 8.7 percent of total governmental revenues, in charges for services. This was a decrease of $23,734 from 2017, which was primarily due to a decrease in fire department training fees. In addition to these training fees, these direct charges to citizens include fire protection contracts, court fines and forfeitures, police security services, and licenses and permits.

The City's security of persons and property, police, activities accounted for $1,122,552, or 30.0 percent, of total expenses. This was a decrease from 2017 of $20,840, or 1.8 percent, primarily due to an decrease in prisoner housing, wages, and an decrease in the purchase of materials and supplies.

General government activities accounted for $1,200,526, or 32.1 percent, of total expenses. This was an increase in expenses of $303,656, or 33.9 percent, primarily due to an increase in the purchase of materials and supplies.

Community Environment activity accounted for $105,530, or 2.8 percent, of total expenses. This was an increase in expenditures of $22,048, or 26.4 percent.

Leisure Time Activities accounted for $39,833, or 1.1 percent, of total expenses. Leisure Time Activities increased $6,591, or 19.8 percent.

Transportation accounted for $632,693, or 16.9 percent, of total expenses. Transportation expenses increased $102,507 from 2017, or 19.3 percent.

Security of persons and property, fire, activities accounted for $562,262, or 15.0 percent, of total expenses. These expenditures increased $5,910.

Public health activities accounted for $52,643, or 1.4 percent, of total expenses. This is a decrease of $16,163, or 23.4 percent.

Business-Type Activities

The City's business-type activities are for water, sewer, and garbage services. During 2018, program revenues exceeded expenses by $319,924. Water fund expenses decreased from 2017 by $69,059, or 4.3 percent, primarily due to a decrease in the purchase of materials and supplies, offset by an increase in personal services and fringe benefits. Sewer fund expenses decreased from 2017 by $34,507, or 3.2 percent. Garbage fund expenses decreased from 2017 by $8,996, or 2.7 percent, primarily due to a decrease in contractual services.

The minimum water rate is $4.00 for the first one thousand gallons of water. Sewer fees are calculated on the amount of water used. The minimum sewer rate is $7.00 per month. Garbage fees are assessed at a flat rate of a $14.33 per month.

The City's Funds

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

Governmental Funds – The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in accessing the City's financing requirements. In particular, unassigned fund balance serves as a useful measure of the City's net resources available for spending at the end of the year.

General Fund

The General Fund is the primary operating fund of the City. At the end of 2018, fund balance was $1,121,375. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund disbursements. Unassigned fund balance represents 48.1 percent of total General Fund disbursements, while total fund balance represents 56.0 percent of that same amount.

The fund balance of the City's General Fund decreased by $194,562.

Other Major Governmental Funds

The fund balance of the Fire Levy Special Revenue Fund at December 31, 2018, was $55,857, an increase of $10,502. Revenues and expenditures were increased due to proceeds of a loan used to purchase a new fire truck. Excluding the purchase of the truck, spending decreased in comparison to 2017.

The fund balance of the Street Fund at December 31, 2018, was $280,955, a decrease of $41,675. This was primarily due to expenses related to paving of roads within the city limits.

The fund balance of the Permanent Investment Capital Projects Fund at December 31, 2018, was $2,433,835, the same as the prior year. The balance represents the proceeds from the 1967 sale of the City's electric utility.

Enterprise Funds

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

The City's enterprise funds are the Water, Sewer, and Garbage Funds. The Water Fund's net position increased $201,123, primarily due to an increase in capital assets, offset by an increase in OWDA loans payable. The Sewer Fund's net position increased $197,348, primarily due to an increase in capital assets. The Garbage Fund's net position increased $22,012. The increase in the Garbage Fund's net position was primarily due to an increase in cash.

General Fund Budgetary 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. From time to time during the year, the fund's budget may be amended as needs or conditions change.

The City did not make significant revisions to the original appropriations approved by City Council.

Capital Assets and Debt Administration

Capital Assets

At the end of 2018, the City had $15,740,583 invested in capital assets, net of accumulated depreciation. Table 4 shows fiscal year 2018 balances compared to 2017.

Table 3
Capital Assets
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	$472,380	$472,380	$263,500	$263,500	$735,880	$735,880
Construction in Progress	24,544	24,544	397,035	108,215	421,579	132,759
Improvements Other than Buildings	188,849	216,286	3,994	5,135	192,843	221,421
Buildings and Improvements	1,181,133	1,220,598	2,675,271	2,799,468	3,856,404	4,020,066
Equipment	156,109	284,838	188,024	209,548	344,133	494,386
Infrastructure	1,450,326	814,546	7,527,736	7,389,752	8,978,062	8,204,298
Vehicles	919,860	384,706	291,822	224,482	1,211,682	609,188
Totals	$4,393,201	$3,417,898	$11,347,382	$11,000,100	$15,740,583	$14,417,998

The total increase in the City's capital assets, net of accumulated depreciation, for the current year was $1,322,585 or 9.2 percent.

Governmental capital assets increased in the amount $975,303 due to the paving of city streets and the purchase of a fire truck. These increases were offset by the demolition of a city pool and depreciation. Business-type activities increased in the amount of $347,282, due to additions, which were offset by depreciation.

For additional information on capital assets, see Note 10 to the basic financial statements.

Debt

As of December 31, 2018, and December 31, 2017, the City had total long-term debt of $4,026,007 and $3,016,795, respectively, as follows:

Table 4
Outstanding Debt

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	$0	$0	$465,000	$488,000	$465,000	$488,000
Revenue Bonds	0	0	1,165,000	1,222,000	1,165,000	1,222,000
OPWC Loans	0	0	51,220	58,016	51,220	58,016
OWDA Loans	0	0	1,158,518	982,865	1,158,518	982,865
Other Long-Term Loans	746,246	265,914	440,023	0	1,186,269	265,914
Totals	$746,246	$265,914	$3,279,761	$2,750,881	$4,026,007	$3,016,795

The City's overall legal debt margin was $5,903,930. For additional information on debt, see Note 15 to the basic financial statements.

Current Issues

In July 2017, the City was released from fiscal emergency. The City continues to follow the policies that brought fiscal solvency and continues to look for new ways to improve efficiencies and services to the citizens of Wellston.

Requests for Information

This financial report is designed to provide the City's citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report, please contact the City of Wellston Auditor's Office by calling (740)-384-2428 or by writing the City Auditor at 203 East Broadway, Wellston, Ohio 45692.

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

	Governmental Activities	Business-Type Activities	Total*
Assets			
Equity in Pooled Cash and Cash Equivalents	$2,154,625	$3,515,730	$5,670,355
Investments	2,632,283	0	2,632,283
Accounts Interest Receivable	677	0	677
Accounts Receivable	26,301	216,016	242,317
Permissive Motor Vehicle License Tax Receivable	6,106	0	6,106
Intergovernmental Receivable	238,276	0	238,276
Income Taxes Receivable	284,702	0	284,702
Property Taxes Receivable	743,970	0	743,970
Loans Receivable	87,605	0	87,605
Prepaid Items	20,874	16,466	37,340
Materials and Supplies Inventory	36,423	39,384	75,807
Net Pension Asset	6,764	11,517	18,281
Non-Depreciable Capital Assets	496,924	660,535	1,157,459
Depreciable Capital Assets, Net	3,896,277	10,686,847	14,583,124
Total Assets	10,631,807	15,146,495	25,778,302
Deferred Outflows of Resources			
Pension	383,364	284,060	627,005
OPEB	166,950	53,383	197,963
Total Deferred Outflows of Resources	550,314	337,443	824,968
Liabilities			
Accounts Payable	63,709	132,294	196,003
Contracts Payable	0	51,031	51,031
Accrued Wages Payable	39,923	39,764	79,687
Intergovernmental Payable	31,840	25,589	57,429
Accrued Interest Payable	16,792	39,107	55,899
Retainage Payable	0	28,603	28,603
Long-Term Liabilities:			
Due Within One Year	111,407	216,901	328,308
Due In More Than One Year:			
Net Pension Liability (See Note 11)	1,829,310	1,019,187	2,848,497
Net OPEB Liability (See Note 12)	1,551,228	706,710	2,257,938
Other Amounts Due in More than One Year	726,967	3,177,836	3,904,803
Total Liabilities	4,371,176	5,437,022	9,808,198
Deferred Inflows of Resources			
Property Taxes	550,617	0	550,617
Pension	247,486	306,379	513,446
OPEB	96,430	92,782	166,842
Total Deferred Inflows of Resources	894,533	399,161	1,230,905
Net Position			
Net Investment in Capital Assets	3,646,955	7,995,385	11,642,340
Restricted for:			
Street Construction	471,438	0	471,438
Police Protection	18,117	0	18,117
Fire Protection	135,666	0	135,666
Cemetery	105,542	0	105,542
Community Development	721,130	0	721,130
Capital Projects	2,458,499	0	2,458,499
Cemetery Perpetual Care	251,268	0	251,268
Recreation	1,482	0	1,482
Unclaimed Monies	3,787	0	3,787
Unrestricted (Deficit)	(1,897,472)	1,652,370	(245,102)
Total Net Position	$5,916,412	$9,647,755	$15,564,167

*After deferred outflows and deferred inflows related to the change in internal proportionate share of pension and OPEB related items have been eliminated

See accompanying notes to the basic financial statements

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

		Program Revenues		
	Expenses	Charges for Services	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities				
General Government	$1,200,526	$144,272	$295,830	$0
Security of Persons and Property:				
Police	1,122,552	19,421	14,872	0
Fire	562,262	120,487	43,494	7,500
Transportation	632,693	0	311,544	534,910
Leisure Time Activities	39,833	0		4,550
Public Health Services	52,643	18,990	12,944	0
Community Environment	105,530	16,500	1,028	0
Interest and Fiscal Charges	21,108	0	0	0
Total Governmental Activities	3,737,147	319,670	679,712	546,960
Business-Type Activities				
Water	1,525,389	1,602,818	0	42,524
Sewer	1,044,763	1,228,726	0	0
Garbage	327,439	343,447	0	0
Total Business-Type Activities	2,897,591	3,174,991	0	42,524
Totals	$6,634,738	$3,494,661	$679,712	$589,484

General Revenues
Property Taxes Levied for:
General Purposes
Fire Protection
Cemetery
Streets
Income Taxes Levied for General Purposes
Grants and Entitlements not Restricted to Specific Programs
Investment Earnings
Gain on Sale of Capital Assets
Miscellaneous

Total General Revenues

Change in Net Position

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

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
($760,424)	$0	($760,424)
(1,088,259)	0	(1,088,259)
(390,781)	0	(390,781)
213,761	0	213,761
(35,283)	0	(35,283)
(20,709)	0	(20,709)
(88,002)	0	(88,002)
(21,108)	0	(21,108)
(2,190,805)	0	(2,190,805)
0	119,953	119,953
0	183,963	183,963
0	16,008	16,008
0	319,924	319,924
(2,190,805)	319,924	(1,870,881)
164,656	0	164,656
261,467	0	261,467
52,820	0	52,820
114,977	0	114,977
1,164,641	0	1,164,641
152,460	0	152,460
82,938	0	82,938
1,800	0	1,800
115,595	100,559	216,154
2,111,354	100,559	2,211,913
(79,451)	420,483	341,032
5,995,863	9,227,272	15,223,135
$5,916,412	$9,647,755	$15,564,167

City of Wellston, Ohio
Balance Sheet
Governmental Funds
December 31, 2018

	General	Fire Levy	Street	Permanent Investment	Other Governmental Funds	Total Governmental Funds
Assets						
Equity in Pooled Cash and Cash Equivalents	$855,717	$61,300	$217,975	$0	$1,015,846	$2,150,838
Restricted Cash and Cash Equivalents	3,787	0	0	0	0	3,787
Investments	0	0	0	2,433,835	198,448	2,632,283
Receivables:						
Accrued Interest	547	0	0	0	130	677
Accounts	10,906	15,395	0	0	0	26,301
Income Tax	284,702	0	0	0	0	284,702
Property Taxes	225,956	321,326	0	0	196,688	743,970
Intergovernmental	61,138	16,031	109,628	0	51,479	238,276
Permissive Motor Vehicle License Taxes	0	0	6,106	0	0	6,106
Prepaid Items	13,926	2,996	3,952	0	0	20,874
Loans	0	0	0	0	87,605	87,605
Interfund	4,447	0	0	0	0	4,447
Materials and Supplies Inventory	635	0	35,788	0	0	36,423
Total Assets	$1,461,761	$417,048	$373,449	$2,433,835	$1,550,196	$6,236,289
Liabilities						
Accounts Payable	25,793	13,066	12,909	0	11,941	63,709
Accrued Wages Payable	26,679	6,430	6,814	0	0	39,923
Interfund Payable	0	0	0	0	4,447	4,447
Intergovernmental Payable	22,345	4,338	3,145	0	2,012	31,840
Total Liabilities	74,817	23,834	22,868	0	18,400	139,919
Deferred Inflows of Resources						
Property Taxes	167,231	237,816	0	0	145,570	550,617
Unavailable Revenue	98,338	99,541	69,626	0	65,481	332,986
Total Deferred Inflows of Resources	265,569	337,357	69,626	0	211,051	883,603
Fund Balances						
Nonspendable for:						
Cemetery Perpetual Care	0	0	0	0	251,268	251,268
Inventories	635	0	35,788	0	0	36,423
Prepaid Items	13,926	2,996	3,952	0	0	20,874
Unclaimed Monies	3,787	0	0	0	0	3,787
Restricted for:						
Street Construction	0	0	241,215	0	100,807	342,022
Police Protection	0	0	0	0	18,117	18,117
Fire Protection	0	52,861	0	0	0	52,861
Cemetery	0	0	0	0	85,232	85,232
Community Development	0	0	0	0	721,130	721,130
Capital Projects	0	0	0	2,433,835	24,664	2,458,499
Committed for:						
Community Development	0	0	0	0	114,198	114,198
Assigned to:						
Capital Improvements	0	0	0	0	8,397	8,397
Purchases on Order	65,591	0	0	0	0	65,591
Subsequent Year's Appropriations	73,776	0	0	0	0	73,776
Unassigned (Deficit)	963,660	0	0	0	(3,068)	960,592
Total Fund Balances	1,121,375	55,857	280,955	2,433,835	1,320,745	5,212,767
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$1,461,761	$417,048	$373,449	$2,433,835	$1,550,196	$6,236,289

See accompanying notes to the basic financial statements

City of Wellston, Ohio

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
December 31, 2018

Total Governmental Fund Balances		$5,212,767
Amounts reported for governmental activities in the statement of net position are different because:		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.		4,393,201
Other long-term assets are not available to pay for current-period expenditures and therefore are not reported in the funds:		
Delinquent Property Taxes	193,353	
Intergovernmental Revenues	139,633	332,986
The net pension asset, net pension liability, and net OPEB liability are not due and payable in the current period: therefore, the asset, liabilities, and related deferred inflows/outflows are not reported in governmental funds:		
Net Pension Asset	6,764	
Deferred Outflows - Pension	383,364	
Deferred Inflows - Pension	(247,486)	
Net Pension Liability	(1,829,310)	
Deferred Outflows - OPEB	166,950	
Deferred Inflows - OPEB	(96,430)	
Net OPEB Liability	(1,551,228)	(3,167,376)
Long-term liabilities, accrued interest, and vacation benefits that are not due and payable in the current period and therefore are not reported in the funds:		
Long-Term Loans Payable	(746,246)	
Accrued Interest Payable	(16,792)	
Compensated Absences	(92,128)	(855,166)
Net Position of Governmental Activities		$5,916,412

See accompanying notes to the basic financial statements

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

	General	Fire Levy	Street	Permanent Investment	Other Governmental Funds	Total Governmental Funds
Revenues						
Property Taxes	$169,422	$260,527	$0	$0	$171,726	$601,675
Income Taxes	1,164,641	0	0	0	0	1,164,641
Permissive Motor Vehicle License Tax	0	0	76,862	0	0	76,862
Intergovernmental	173,453	41,422	770,373	0	311,055	1,296,303
Charges for Services	10,606	120,487	0	0	18,990	150,083
Fines and Forfeitures	58,086	0	0	0	1,869	59,955
Licenses and Permits	7,205	0	0	0	0	7,205
Investment Earnings	82,938	0	0	0	5,688	88,626
Rent	85,927	0	0	0	16,500	102,427
Contributions and Donations	0	7,500	0	0	0	7,500
Miscellaneous	55,771	18,702	7,148	0	33,974	115,595
Total Revenues	1,808,049	448,638	854,383	0	559,802	3,670,872
Expenditures						
Current:						
General Government	1,016,060	0	0	0	133,465	1,149,525
Security of Persons and Property:						
Police	986,551	0	0	0	20,642	1,007,193
Fire	0	997,233	0	0	34	997,267
Transportation	0	0	897,858	0	281,217	1,179,075
Public Health Services	0	0	0	0	52,643	52,643
Community Environment	0	0	0	0	81,018	81,018
Debt Service:						
Principal Retirement	0	3,338	0	0	81,830	85,168
Interest and Fiscal Charges	0	3,065	0	0	5,515	8,580
Total Expenditures	2,002,611	1,003,636	897,858	0	656,364	4,560,469
Excess of Revenues Under Expenditures	(194,562)	(554,998)	(43,475)	0	(96,562)	(889,597)
Other Financing Sources						
Proceeds of Loans	0	565,500	0	0	0	565,500
Proceeds from Sale of Capital Assets	0	0	1,800	0	0	1,800
Total Other Financing Sources	0	565,500	1,800	0	0	567,300
Net Change in Fund Balance	(194,562)	10,502	(41,675)	0	(96,562)	(322,297)
Fund Balances Beginning of Year	1,315,937	45,355	322,630	2,433,835	1,417,307	5,535,064
Fund Balances End of Year	$1,121,375	$55,857	$280,955	$2,433,835	$1,320,745	$5,212,767

See accompanying notes to the basic financial statements

City of Wellston, Ohio

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

For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds		($322,297)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:		
Capital Outlay	1,300,500	
Depreciation	(325,197)	975,303
Revenues in the statement of activities that do not provide current		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	(7,755)	
Intergovernmental Revenues	(7,221)	(14,976)
Repayments of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		85,168
In the statement of activities, interest is accrued on outstanding debt, whereas is governmental funds, interest is expended when due.		(12,528)
Loan Proceeds are other financing sources in the governmental funds, but the issuance increases long-term liabilities in the statement of net position:		
Proceeds of Fire Rescue Pumper Loan		(565,500)
Compensated absences reported in the statement of acitivities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		41,758
Contractually required contributions are reported as expenditures in governmental funds however, the Statement of Net Position reports these amounts as deferred outflows		
Pension	173,416	
OPEB	3,169	176,585
Except for amounts reports as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities		
Pension	(314,846)	
OPEB	(128,118)	(442,964)
Change in Net Position of Governmental Activities		($79,451)

See accompanying notes to the basic financial statements

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

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Property Taxes	$165,076	$165,076	$169,422	$4,346
Income Taxes	1,230,000	1,230,000	1,200,853	(29,147)
Intergovernmental	133,100	133,100	166,897	33,797
Charges for Services	15,750	15,750	10,606	(5,144)
Fines and Forfeitures	74,500	77,325	59,286	(18,039)
Licenses and Permits	4,000	4,000	7,205	3,205
Investment Earnings	55,900	55,900	80,605	24,705
Rent	73,100	73,100	85,927	12,827
Miscellaneous	0	0	44,865	44,865
Total Revenues	1,751,426	1,754,251	1,825,666	71,415
Expenditures				
Current:				
General Government	1,056,408	1,172,608	1,080,220	92,388
Security of Persons and Property:				
Police	969,329	1,021,009	988,506	32,503
Total Expenditures	2,025,737	2,193,617	2,068,726	124,891
Excess of Revenues Under Expenditures	(274,311)	(439,366)	(243,060)	196,306
Fund Balance at Beginning of Year	993,737	993,737	993,737	0
Prior Year Encumbrances Appropriated	26,250	26,250	26,250	0
Fund Balance at End of Year	$745,676	$580,621	$776,927	$196,306

See accompanying notes to the basic financial statements

City of Wellston, Ohio

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Fire Levy Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$259,800	$259,800	$260,527	$727
Intergovernmental	148,900	148,900	48,022	(100,878)
Charges for Services	19,700	19,700	120,487	100,787
Contributions and Donations	0	0	7,500	7,500
Miscellaneous	0	1,400	3,307	1,907
Total Revenues	428,400	429,800	439,843	10,043
Expenditures				
Current:				
Security of Persons and Property:				
Fire	421,934	1,032,334	1,010,515	21,819
Debt Service:				
Principal Retirement	3,338	3,338	3,338	0
Interest and Fiscal Charges	3,065	3,065	3,065	0
Total Expenditures	428,337	1,038,737	1,016,918	21,819
Excess of Revenues Over (Under) Expenditures	63	(608,937)	(577,075)	31,862
Other Financing Sources				
Proceeds of Loans	0	565,500	565,500	0
				0
Net Change in Fund Balance	63	(43,437)	(11,575)	31,862
Fund Balance at Beginning of Year	54,988	54,988	54,988	0
Prior Year Encumbrances Appropriated	3,872	3,872	3,872	0
Fund Balance at End of Year	$58,923	$15,423	$47,285	$31,862

See accompanying notes to the basic financial statements

City of Wellston, Ohio

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual (Budget Basis)
Street Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Permissive Motor Vehicle License Taxes	$78,000	$78,000	$77,051	($949)
Intergovernmental	231,100	766,010	769,630	3,620
Miscellaneous	0	0	7,148	7,148
Total Revenues	309,100	844,010	853,829	9,819
Expenditures				
Current:				
Transportation	365,498	925,553	915,359	10,194
Excess of Revenues Under Expenditures	(56,398)	(81,543)	(61,530)	20,013
Other Financing Sources				
Proceeds from Sale of Capital Assets	0	0	1,800	1,800
Net Change in Fund Balance	(56,398)	(81,543)	(59,730)	21,813
Fund Balance at Beginning of Year	254,531	254,531	254,531	0
Prior Year Encumbrances Appropriated	11,680	11,680	11,680	0
Fund Balance at End of Year	$209,813	$184,668	$206,481	$21,813

See accompanying notes to the basic financial statements

City of Wellston, Ohio
Statement of Fund Net Position
Enterprise Funds
December 31, 2018

	Water	Sewer	Garbage	Total Enterprise Funds
Assets				
Current:				
Equity in Pooled Cash and Cash Equivalents	$1,879,341	$1,321,787	$314,602	$3,515,730
Accounts Receivable	85,916	107,303	22,797	216,016
Prepaid Items	6,726	6,470	3,270	16,466
Materials and Supplies Inventory	35,346	4,038	0	39,384
Restricted Assets:				
Customer Deposits:				
Equity in Pooled Cash and Cash Equivalents	255,569	0	0	255,569
Total Current Assets	2,262,898	1,439,598	340,669	4,043,165
Noncurrent:				
Net Pension Asset	6,216	4,021	1,280	11,517
Non-Depreciable Capital Assets	441,735	218,800	0	660,535
Depreciable Capital Assets, Net	5,453,551	5,170,813	62,483	10,686,847
Total Assets	8,164,400	6,833,232	404,432	15,402,064
Defferred Outlflows of Resources				
Pension	146,592	106,161	31,307	284,060
OPEB	28,810	18,642	5,931	53,383
Total Defferred Outflows of Resources	175,402	124,803	37,238	337,443
Liabilities				
Current:				
Accounts Payable	71,908	45,485	14,901	132,294
Contracts Payable	51,031	0	0	51,031
Accrued Wages Payable	22,395	12,640	4,729	39,764
Intergovernmental Payable	14,247	9,264	2,078	25,589
Accrued Interest Payable	11,940	27,167	0	39,107
Retainage Payable	28,603	0	0	28,603
OPWC Loans Payable	3,763	3,032	0	6,795
OWDA Loans Payable	33,046	0	0	33,046
Loans Payable	36,444	0	0	36,444
Compensated Absences Payable	40,383	14,173	3,060	57,616
Revenue Bonds	0	59,000	0	59,000
General Obligation Bonds Payable	0	24,000	0	24,000
Customer Deposits Payable for Restricted Assets	255,569	0	0	255,569
Total Current Liabilities	569,329	194,761	24,768	788,858
Long-Term:				
OPWC Loans Payable	41,393	3,032	0	44,425
OWDA Loans Payable	1,125,472	0	0	1,125,472
Loans Payable	403,579	0	0	403,579
Compensated Absences Payable	41,005	13,980	2,375	57,360
General Obligation Bonds Payable	0	441,000	0	441,000
Revenue Bonds Payable	0	1,106,000	0	1,106,000
Net Pension Liability	550,037	355,907	113,243	1,019,187
Net OPEB Liability	381,399	246,788	78,523	706,710
Total Long-Term Liabilities	2,542,885	2,166,707	194,141	4,903,733
Total Liabilities	3,112,214	2,361,468	218,909	5,692,591
Deferred Inflows of Resources				
Pension	161,316	103,738	41,325	306,379
OPEB	48,926	29,528	14,328	92,782
Total Defferred Inflows of Resources	210,242	133,266	55,653	399,161
Net Position				
Net Investment in Capital Assets	4,179,353	3,753,549	62,483	7,995,385
Unrestricted	837,993	709,752	104,625	1,652,370
Total Net Position	$5,017,346	$4,463,301	$167,108	$9,647,755

See accompanying notes to the basic financial statements

City of Wellston, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Enterprise Funds
For the Year Ended December 31, 2018

	Water	Sewer	Garbage	Total Enterprise Funds
Operating Revenues				
Charges for Services	$1,602,818	$1,228,726	$343,447	$3,174,991
Miscellaneous	81,170	13,385	6,004	100,559
Total Operating Revenues	1,683,988	1,242,111	349,451	3,275,550
Operating Expenses				
Personal Services	541,213	322,893	115,887	979,993
Fringe Benefits	316,925	153,691	62,698	533,314
Contractual Services	96,611	168,528	104,607	369,746
Materials and Supplies	347,405	170,340	30,362	548,107
Depreciation	200,698	145,244	13,885	359,827
Total Operating Expenses	1,502,852	960,696	327,439	2,790,987
Operating Income	181,136	281,415	22,012	484,563
Non-Operating Revenues (Expenses)				
Capital Grants	42,524	0	0	42,524
Interest and Fiscal Charges	(22,537)	(84,067)	0	(106,604)
Total Non-Operating Revenues (Expenses)	19,987	(84,067)	0	(64,080)
Change in Net Position	201,123	197,348	22,012	420,483
Net Position Beginning of Year (Restated - See Note 3)	4,816,223	4,265,953	145,096	9,227,272
Net Position End of Year	$5,017,346	$4,463,301	$167,108	$9,647,755

See accompanying notes to the basic financial statements

City of Wellston, Ohio
Statement of Cash Flows
Enterprise Funds
For the Year Ended December 31, 2018

	Water	Sewer	Garbage	Total Enterprise Funds
Increase (Decrease) in Cash and Cash Equivalents				
Cash Flows from Operating Activities				
Cash Received from Customers	$1,627,808	$1,237,372	$347,833	$3,213,013
Cash Payments for Employee Services and Benefits	(744,713)	(471,893)	(182,422)	(1,399,028)
Cash Payments for Goods and Services	(416,838)	(322,030)	(131,419)	(870,287)
Utility Deposits Received	42,677	0	0	42,677
Utility Deposits Returned	(29,994)	0	0	(29,994)
Other Operating Revenues	81,170	13,385	6,004	100,559
Net Cash Provided by Operating Activities	560,110	456,834	39,996	1,056,940
Cash Flows from Capital and Related Financing Activities				
Capital Grants Received	162,744	0	0	162,744
Proceeds from Loans	440,023	0	0	440,023
Proceeds from OWDA Loans	249,940	0	0	249,940
Payments for Capital Acquisitions	(528,543)	(98,932)	0	(627,475)
Principal Paid on General Obligation Bonds	0	(23,000)	0	(23,000)
Principal Paid on Revenue Bonds	0	(57,000)	0	(57,000)
Principal Paid on OPWC Loans	(3,764)	(3,032)	0	(6,796)
Principal Paid on OWDA Loans	(74,287)	0	0	(74,287)
Interest Paid on General Obligation Bonds	0	(24,350)	0	(24,350)
Interest Paid on Revenue Bonds	0	(61,050)	0	(61,050)
Interest Paid on OWDA Loans	(15,278)	0	0	(15,278)
Net Cash Provided by (Used for) Capital and Related Financing Activities	230,835	(267,364)	0	(36,529)
Net Increase in Cash and Cash Equivalents	790,945	189,470	39,996	1,020,411
Cash and Cash Equivalents Beginning of Year	1,343,965	1,132,317	274,606	2,750,888
Cash and Cash Equivalents End of Year	$2,134,910	$1,321,787	$314,602	$3,771,299
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	$181,136	$281,415	$22,012	$484,563
Adjustments:				
Depreciation	200,698	145,244	13,885	359,827
(Increase) Decrease in Assets:				
Accounts Receivable	24,990	8,646	4,386	38,022
Prepaid Items	903	159	369	1,431
Materials and Supplies Inventory	(12,513)	(4,038)	0	(16,551)
Net Pension Asset	(4,005)	(2,567)	(870)	(7,442)
Deferred Outflows - Pension	106,629	78,910	23,999	209,538
Deferred Outflows - OPEB	18,436	11,882	3,889	34,207
Increase (Decrease) in Liabilities:				
Accounts Payable	35,640	20,384	3,550	59,574
Accrued Wages Payable	1,286	1,406	(5)	2,687
Intergovernmental Payable	4,802	762	92	5,656
Customer Deposits Payable	12,683	0	0	12,683
Compensated Absences Payable	51,315	(32,503)	(3,454)	15,358
Net Pension Liability	11,962	7,741	2,463	22,166
Net OPEB Liability	20,684	13,383	4,258	38,325
Deferred Inflows - Pension	(77,626)	(64,065)	(29,061)	(170,752)
Deferred Inflows - OPEB	(16,910)	(9,925)	(5,517)	(32,352)
Net Cash Provided by Operating Activities	$560,110	$456,834	$39,996	$1,056,940

See accompanying notes to the basic financial statements

City of Wellston, Ohio
Statement of Assets and Liabilities
Agency Funds
December 31, 2018

Assets	
Equity in Pooled Cash and Cash Equivalents	$24,196
Liabilities	
Due to Others	$24,196

See accompanying notes to the basic financial statements

NOTE 1 - REPORTING ENTITY

The City of Wellston (the "City") is a body politic, incorporated and established for the purpose of exercising the rights and privileges conveyed to it by the laws of the State of Ohio. The City was founded in 1873.

The Mayor, Auditor, Law Director, and Treasurer are each elected to four year terms. A seven member Council, plus a Council President are elected to two year terms. Department directors and public members of various boards and commissions are appointed by the Mayor or Council.

Reporting Entity

The financial reporting entity is composed of the primary government, component units, and other organizations that are included to ensure the financial statements of the City are not misleading. The primary government consists of all funds and departments that are not legally separate from the City. Services provided by the primary government include police and fire protection, street maintenance and repairs, community development, parks and recreation, and water, sewer, and garbage services. A staff provides support (i.e., payroll processing, accounts payable, revenue collection) to the service providers. The operation and control of these activities is provided by the City Council through the budgetary process and by the City Auditor and the City Mayor through administrative and managerial requirements and procedures.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes, and there is potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. No potential component units met these criteria.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

Government-wide Financial Statements

The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for 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. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program; grants and contributions that are restricted to meeting the operational or capital requirements of a particular program; and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited expectations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

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

> General Fund - The General Fund accounts for and reports all financial resources not accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> Fire Levy Fund - The Fire Levy Special Revenue Fund is used to account for property tax revenues and billings for the operation of the Wellston Fire Department.

Street Fund - The Street Special Revenue Fund is used to account for that portion of the State gasoline tax and motor vehicle registration fees designated for maintenance of streets within the City.

Permanent Investment Fund - The Permanent Investment Capital Projects Fund is used to account for proceeds from the sale of the City's electric plant. Per local ordinance, these proceeds may only be used for capital expenditures.

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as either enterprise or internal service. The City's proprietary funds are all classified as 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. All of the City's enterprise funds are major funds.

Water Fund - The Water Fund is used to account for the revenues generated from the charges for distribution of water to the residential and commercial users within the City.

Sewer Fund - The Sewer Fund is used to account for the revenues generated from the charges for sanitary sewer services provided to the residential and commercial users within the City.

Garbage Fund - The Garbage Fund is used to account for the revenues generated from the charges for garbage removal services provided to the residential and commercial users within the City.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. There are four categories of fiduciary funds; pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's only fiduciary funds are agency funds. The City's agency funds account for monies held for police and fire auxiliary organizations.

C. Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the statement of net position. The statement of activities accounts for increases (i.e. revenues) and decreases (i.e. expenditures) in total net position.

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Therefore, governmental fund financial statements 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 funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of changes in revenues, expenses, and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

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

Revenues – Exchange and Non-exchange Transactions

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

Non-exchange transactions, in which the City received value without directly giving equal value in return, includes income taxes, property taxes, grants, entitlements, and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the taxable income is earned. Revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the City must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the City on a reimbursable 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 resources are considered to be both measurable and available at year end: interest, federal and state grant subsidies, state-levied local shared taxes (including motor vehicle license fees and gasoline taxes), income taxes, fees, and rentals.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 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 as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and 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 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 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 11 and 12)

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Expenses/Expenditures

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

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

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolutions, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount the City Council may appropriate. The appropriations resolution is the City Council's authorization to spend resources and sets annual limits on the expenditures plus encumbrances at the level of control selected by the City Council. The legal level of budgetary control is at the object level within each department. Any budgetary modifications at this level may only be made by resolution of the City Council. Advances between funds are not required to be budgeted.

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

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

F. Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds, except for the Permanent Investment Capital Projects Fund and a portion of the Cemetery Perpetual Care Permanent Fund, are maintained in this pool. Interest in the pool is presented as "equity in pooled cash and cash equivalents."

During 2018, investments were limited to certificates of deposit, which are reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2018 amounted to $82,938, which includes $74,467 assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

G. Receivables and Payables

Receivables and payables are recorded on the City's financial statements to the extent that the amounts are determined to be material and are substantiated not only by supporting documentation, but also, by a reasonable, systematic method of determining their existence, completeness, valuation and, in the case of receivables, collectability.

H. Interfund Balances

In general, on fund financial statements, receivables and payables resulting from short-term interfund loans or interfund services provided and used are classified as "interfund receivables/payables." The amounts are eliminated in the governmental and business-type activities columns on the statements of net position.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the enterprise funds represent water customer deposits.

Unclaimed monies that are required to be held for five years before they may be utilized by the City are reported as restricted.

J. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expensed/expended when used. Inventory consists of materials and supplies held for consumption and donated and purchased food held for resale.

K. Capital Assets

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the enterprise 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. The City was able to estimate the historical cost for the initial reporting of infrastructure by back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of ten thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Improvements Other than Buildings	20 years	10 years
Buildings and Improvements	20-40 years	20-40 years
Equipment	15 years	15 years
Infrastructure	15 years	70 years
Vehicles	5-25 years	5-25 years

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means.

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

The City records a liability for accumulated unused vacation time when earned for all employees after their probation is over. The City records a liability for accumulated unused sick leave for employees after thirteen and one half years of service.

M. 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 and 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.

N. Fund Balance

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

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or are 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 interfund loans, if any.

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 or enabling legislation (City Ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandates payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. 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 City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

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

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

O. Net Position

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

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

P. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers within governmental activities are eliminated.
Internal allocations of overhead expenses from one program to another or within the same program are eliminated on the Statement of Activities. Payments for interfund services provided and used are not eliminated.

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

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position.

Q. Pensions/Other Postemployment Benefits (OPEB)

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

R. Estimates

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

S. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for sewer, water, and garbage utility services. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting the definition are reported as nonoperating.

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City that are either unusual in nature or infrequent in occurrence.

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. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; 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).*

For 2018, the City also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

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 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position.

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:

	Governmental Activities	Business - Type Activities
Net Position December 31, 2017	$7,351,622	$9,933,201
Adjustments:		
Net OPEB Liability	(1,363,281)	(716,649)
Deferred Outflow - Payments Subsequent to Measurement Date	7,522	10,720
Restated Net Position December 31, 2017	$5,995,863	$9,227,272

	Water	Sewer	Garbage	Total Enterprise
Net Position December 31, 2017	$5,195,528	$4,508,287	$229,386	$9,933,201
Adjustments:				
Net OPEB Liability	(385,065)	(246,014)	(85,570)	($716,649)
Deferred Outflow - Payments Subsequent to Measurement Date	5,760	3,680	1,280	$10,720
Restated Net Position December 31, 2017	$4,816,223	$4,265,953	$145,096	$9,227,272

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

NOTE 4 - FUND DEFICITS

The Recreation Special Revenue Fund had a deficit fund balance of $3,068 as of December 31, 2018. This deficit resulted from payables recorded in accordance with Generally Accepted Accounting Principles. The General Fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 5 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis, as provided by law, is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statements of Revenues, Expenditures and Changes in Fund Balances Budget and Actual (Budget Basis) is presented for the General Fund and the major special revenue funds 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. Outstanding year end encumbrances are treated as expenditures (budget basis) rather than as committed or assigned fund balance (GAAP basis).

4. Unrecorded cash and interest is reported on the balance sheet (GAAP) but not on the budgetary basis.

5. Prepaid items are reported on the balance sheet (GAAP basis), but not on the budgetary basis.

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

Net Change in Fund Balances

	General	Fire Levy	Street
GAAP Basis	($194,562)	$10,502	($41,675)
Net Adjustment for Revenue Accruals	20,246	(7,895)	(554)
Net Adjustment for Expenditure Accruals	3,379	2,353	(4,024)
Beginning of Year:			
Unreported Cash	1,216	0	0
Prepaid Items	22,962	476	1,969
End of Year:			
Unreported Cash	(3,845)	(900)	0
Prepaid Items	(13,926)	(2,996)	(3,952)
Encumbrances	(78,530)	(13,115)	(11,494)
Budget Basis	($243,060)	($11,575)	($59,730)

NOTE 6 - DEPOSITS AND INVESTMENTS

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

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

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

Interim monies held by the City can 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 obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio, and, with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

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

7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

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. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

At year end, the City had $7,408 in undeposited cash on hand which is included as part of "Equity in Pooled Cash and Cash Equivalents".

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 102 percent resulting in the uninsured and uncollateralized balance.

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

> Eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

NOTE 7 - PROPERTY TAXES

A. Property Taxes

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

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

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20.

Under certain circumstances, State 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 percent of true value. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was $10.80 per $1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Real Property	$58,727,490
Public Utility Real Property	32,060
Public Utility Personal Property	4,575,460
Total	$63,335,010

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property and public utility taxes and outstanding delinquencies which are measurable as of December 31, 2018, and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2018 operations is offset to deferred inflows of resources - property taxes. 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.

B. Tax Abatement

Pursuant to Ohio Revised Code Chapter 5709, the City established two Enterprise Zone property tax abatements to encourage new investment. Abatements are obtained through application by the property owner, including proof that the improvements have been made, and equal a percent of the additional property tax resulting from the increase is assessed value as a result of the improvement. The amount of the abatement is deducted from the recipient's tax bill.

The City of Wellston has entered into two enterprise zone agreements with General Mills. One agreement is for the construction of a frozen distribution warehouse. The second agreement is for the construction of warehouse space. These abatement agreements are for 75 percent of the expansion value in exchange for job creation. In the event of default of the agreement terms, the City may require the repayment of the amount of taxes that would have been payable had the property not been exempted from taxation under this agreement.

Below is the information relevant to the disclosure of those programs for the year ended December 31, 2018.

Tax Abatement Program	Amount of 2018 Taxes Abated
Enterprise Zone Tax Exemptions	
General Mills Frozen Distribution Warehouse	$221,710
General Mills Warehouse Space	98,617

NOTE 8 - INCOME TAX

The City levies a municipal income tax of one percent on substantially all income earned within the City. In addition, the residents of the City are required to pay income tax on income earned outside of the City; however, the City allows a credit for income taxes paid to another municipality.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA, the City's third party administrator) quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration semi-annually.

Income tax proceeds are to be used for the purposes of general municipal operations, maintenance of facilities, new equipment, extension and enlargement of municipal services and facilities and capital improvements of the City of Wellston. In 2018, all proceeds were receipted into the General Fund.

NOTE 9 - RECEIVABLES

Receivables at December 31, 2018, consisted of property and income taxes; permissive motor vehicle license tax, accrued interest; loans; interfund receivables; intergovernmental receivables arising from grants, entitlements, and shared revenues; and accounts (gas utility reimbursements and billed utility services). All receivables are considered fully collectible. Delinquent utility accounts receivable (billings for user charged services) are certified and collected as special assessments, subject to foreclosure for nonpayment. The financial statements reflect loans receivable of $87,605 for principal owed to the City for CDBG and UDAG revolving loan monies loaned to businesses for improvement and expansion efforts. All receivables are expected to be collected within one year, with the exception of delinquent property taxes deemed collectible by the County Auditor and recorded as a receivable in the amount of $193,353.

A summary of intergovernmental receivables follows:

Governmental Activities:	
Local Government Subsidies	$42,510
Gasoline Tax	88,365
Motor Vehicle License Tax	21,263
Homestead and Rollback	37,117
Sales Tax	37,116
Recreation Grant	4,550
Miscellaneous	7,355
Total Intergovernmental Receivable	$238,276

NOTE 10 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018
Governmental Activities:				
Non-Depreciable Capital Assets:				
Land	$472,380	$0	$0	$472,380
Construction in Progress	24,544	0	0	24,544
Total Non-Depreciable Capital Assets	496,924	0	0	496,924
Depreciable Capital Assets:				
Improvements Other than Buildings	620,277	0	(240,000)	380,277
Buildings and Improvements	1,690,551	0	0	1,690,551
Equipment	441,662	0	0	441,662
Infrastructure	1,424,779	735,000	0	2,159,779
Vehicles	1,338,302	565,500	(22,500)	1,881,302
Total Depreciable Capital Assets	5,515,571	1,300,500	(262,500)	6,553,571
Accumulated Depreciation:				
Improvements Other than Buildings	403,991	27,437	(240,000)	191,428
Buildings and Improvements	469,953	39,465	0	509,418
Equipment	266,997	18,556	0	285,553
Infrastructure	610,233	99,220	0	709,453
Vehicles	843,423	140,519	(22,500)	961,442
Total Accumulated Depreciation	2,594,597	325,197 *	(262,500)	2,657,294
Total Depreciable Capital Assets, Net	2,920,974	975,303	0	3,896,277
Governmental Activities Capital Assets, Net	$3,417,898	$975,303	$0	$4,393,201

*Depreciation expense was charged to governmental activities as follows:

Governmental Activities:	
Security of Persons and Property- Police	$12,176
Security of Persons and Property- Fire	107,865
Transportation	140,811
Leisure Time Activities	39,833
Community Environment	24,512
Total Depreciation Expense	$325,197

	Balance 12/31/2017	Additions	Reductions	Balance 12/31/2018
Business - Type Activities:				
Non-Depreciable Capital Assets:				
Land	$263,500	$0	$0	$263,500
Construction in Progress	108,215	288,820	0	397,035
Total Non-Depreciable Capital Assets	371,715	288,820	0	660,535
Depreciable Capital Assets:				
Other Than Buildings	63,848	0	0	63,848
Buildings and Improvements	5,752,465	0	0	5,752,465
Equipment	1,444,303	11,861	0	1,456,164
Infrastructure	11,504,884	297,496	0	11,802,380
Vehicles	768,278	108,932	0	877,210
Total Depreciable Capital Assets	19,533,778	418,289	0	19,952,067
Accumulated Depreciation:				
Land Improvements	58,713	1,141	0	59,854
Buildings and Improvements	2,952,997	124,197	0	3,077,194
Equipment	1,234,755	33,385	0	1,268,140
Infrastructure	4,115,132	159,512	0	4,274,644
Vehicles	543,796	41,592	0	585,388
Total Accumulated Depreciation	8,905,393	359,827	0	9,265,220
Total Depreciable Capital Assets, Net	10,628,385	58,462	0	10,686,847
Business - Type Activities Capital Assets, Net	$11,000,100	$347,282	$0	$11,347,382

NOTE 11 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability (Asset) /Net OPEB Liability (Asset)

The net pension liability (asset) and the net OPEB liability (asset) reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions-–between an employer and its employees—of salaries and benefits for employee services. Pensions/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 pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liability (asset) represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting 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 pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net pension/OPEB asset* or a long-term *net pension/OBEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 12 for the required OPEB disclosures.

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 combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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 in the tradition and combined plans 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, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 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
Traditional Plan 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	**Traditional Plan 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	**Traditional Plan 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
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 35 years and 1.25% 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 traditional plan 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. Members retiring under the combined plan receive a cost–of–living adjustment of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0%
Employee *	10.0%
2018 Actual Contribution Rates	
Employer:	
Pension ****	14.0%
Post-employment Health Care Benefits ****	0.0
Total Employer	14.0%
Employee	10.0%

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
** This rate is determined by OPERS' Board and has no maximum rate established by ORC.
*** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.
**** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

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

For 2018, the City's contractually required contribution was $203,169 for the traditional plan, $7,738 for the combined plan, and $5,463 for the member-directed plan. Of these amounts, $16,408 is reported as an intergovernmental payable for the traditional plan, $625 for the combined plan, and $617 for the member-directed plan.

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

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

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

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before 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 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member’s base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was $95,380 for 2018. Of this amount, $8,083 is reported as an intergovernmental payable.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F’s total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability (asset) 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 of the City's defined benefit pension plans:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.01031200%	0.01342900%	0.02005300%	
Prior Measurement Date	0.01052100%	0.01467300%	0.02128400%	
Change in Proportionate Share	-0.00020900%	-0.00124400%	-0.00123100%	
Proportionate Share of the:				
Net Pension Liability	$1,617,753	$0	$1,230,744	$2,848,497
Net Pension Asset	0	18,281	0	18,281
Pension Expense	374,416	(12,152)	138,964	501,228

2018 pension expense for the member-directed defined contribution plan was $5,463.

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

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	$1,652	$0	$18,677	$20,329
Changes of assumptions	193,332	1,598	53,630	248,560
Changes in proportion and differences between City contributions and proportionate share of contributions	34,720	603	16,506	51,829
City contributions subsequent to the measurement date	203,169	7,738	95,380	306,287
Total Deferred Outflows of Resources	$432,873	$9,939	$184,193	$627,005
Deferred Inflows of Resources				
Differences between expected and actual experience	$31,881	$5,447	$2,226	$39,554
Net difference between projected and actual earnings on pension plan investments	347,310	2,883	42,574	392,767
Changes in proportion and differences between City contributions and proportionate share of contributions	21,886	0	59,239	81,125
Total Deferred Inflows of Resources	$401,077	$8,330	$104,039	$513,446

$306,287 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 increase to the net pension asset in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2019	$165,799	($845)	$24,270	$189,224
2020	(41,521)	(923)	13,077	(29,367)
2021	(152,938)	(1,570)	(31,020)	(185,528)
2022	(142,713)	(1,501)	(24,785)	(168,999)
2023	0	(489)	2,646	2,157
Thereafter	0	(801)	586	(215)
Total	($171,373)	($6,129)	($15,226)	($192,728)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

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

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

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 2017 and the long-term expected real rates of return:

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

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	$2,872,717	$1,617,753	$571,491
OPERS Combined Plan	(9,937)	(18,281)	(24,038)

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net pension liability is not known.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented below.

	January 1, 2017	January 1, 2016
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 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	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

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

For the January 1, 2016 valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

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

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

Asset Class	Target Allocation		Long-Term Expected Real Rate of Return	
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	120.00	%		

Note: Assumptions are geometric.
* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on 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 For 2017, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2016 was 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$1,706,133	$1,230,744	$843,019

NOTE 12 - Defined Benefit OPEB Plans

See Note 11 for a description of the net OPEB liability

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.

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

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

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

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

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

The City's contractually required contribution was $2,185 for 2018. Of this amount, $176 is reported as an intergovernmental payable.

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

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

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

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

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

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

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

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

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

The City's contractually required contribution to OP&F was $2,361 for 2018. Of this amount, $199 is reported as an intergovernmental payable.

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:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.010330%	0.0200530%	
Prior Measurement Date	0.010590%	0.0212840%	
Change in Proportionate Share	-0.0002600%	-0.0012310%	
Proportionate Share of the Net OPEB Liability	$1,121,762	$1,136,176	$2,257,938
OPEB Expense	$86,916	$82,759	$169,675

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
Deferred Outflows of Resources			
Differences between expected and actual experience	$874	$0	$874
Changes of assumptions	81,676	110,867	192,543
City contributions subsequent to the measurement date	2,185	2,361	4,546
Total Deferred Outflows of Resources	$84,735	$113,228	$197,963
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$5,730	$5,730
Net difference between projected and actual earnings on OPEB plan investments	83,564	7,479	91,043
Changes in proportion and differences between City contributions and proportionate share of contributions	17,767	52,302	70,069
Total Deferred Inflows of Resources	$101,331	$65,511	$166,842

$4,546 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:

	OPERS	OP&F	Total
Year Ending December 31:			
2019	$10,082	$5,855	$15,937
2020	10,082	5,855	15,937
2021	(18,054)	5,855	(12,199)
2022	(20,891)	5,855	(15,036)
2023	0	7,724	7,724
Thereafter	0	14,212	14,212
Total	($18,781)	$45,356	$26,575

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net OPEB liability is not known.

Actuarial Assumptions - OPERS

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

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

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

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

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

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

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

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

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

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

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

	1% Decrease (2.85%)	Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	$1,490,309	$1,121,762	$823,611

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

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

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$1,073,287	$1,121,762	$1,171,835

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.
Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

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

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

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 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:	
Currrent 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.

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

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

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

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

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 11.

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

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

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	$1,420,232	$1,136,176	$917,603

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

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

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

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	$882,601	$1,136,176	$1,477,907

Changes between Measurement Date and Report Date

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

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Deferred Compensation Plans

City employees and elected officials participate in a statewide deferred compensation plan created in accordance with Internal Revenue Code Section 457. Participation is on a voluntary payroll deduction basis. The plan permits deferral of compensation until future years. According to the plan, the deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

B. Employee Insurance Benefits

The City provides one year's salary in life insurance and accidental death and dismemberment insurance through Sun Life to its full-time employees and part-time employees working a minimum of thirty two hours per week.

The City contracts with Anthem Blue Cross-Blue Shield for hospitalization and prescription insurance for all employees. Monthly premiums for single and family coverage are determined by each individual being insured meeting certain rate criteria. The City pays 100 percent of premiums for elected officials and 90 percent of premiums for all other employees. Premiums are paid from the same funds that pay the employees' salaries.

C. Compensated Absences

Vacation leave is earned at varying rates based upon length of service. A maximum number of vacation hours may be accumulated based on length of service. Any unused vacation is carried over up to two years. At the time of termination of employment or death, an employee (or his estate) is paid for his unused vacation leave.

Sick leave is earned at the rate of 4.6 hours per eighty hours of service for police employees, 4.2 hours per eighty hours of service for fire employees, and 3.84 hours per eighty hours of service for all other employees, and can be accumulated without limit. In the case of death or retirement of an employee who has ten years of service, an employee or his estate is paid for one-half of accumulated sick leave up to a maximum payment equal to three hundred sixty hours for police personnel, and one-quarter of accumulated sick leave up to a maximum payment equal to two hundred forty hours for other city employees.

NOTE 14 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has addressed these various types of risks by purchasing comprehensive insurance through commercial carriers.

The types of coverage that the City has with commercial carriers are:

Type of Coverage	Limit	Aggregate Limit
General Liability	$2,000,000 Per Occurrence	$4,000,000
Public Officials Liability	2,000,000 Per Occurrence	4,000,000
Auto Liability	2,000,000 Per Occurrence	
Law Enforcement Professional Liability	2,000,000 Per Occurrence	4,000,000
Employee Dishonesty	50,000 Per Occurrence	
Property Damage	26,902,522	

Settled claims have not exceeded their commercial coverage in any of the past three years. There have been no significant reductions in insurance coverage from the prior year.

For 2018, the City paid the state workers' compensation system a premium based on a rate per $100 of salaries. This rate is calculated based on accidents, history, and administrative costs. The participation in this state mandated insurance fund allows the City to transfer all risk associated with workers compensation.

NOTE 15 - LONG-TERM OBLIGATIONS

Changes in the City's long-term obligations during 2018 consist of the following:

	Restated Outstanding 12/31/2017	Additions	Reductions	Outstanding 12/31/2018	Amounts Due Within One Year
Governmental Activities:					
Fire Department Renovation - 2016 - $90,250 - 3.38%	$87,564		$3,338	$84,226	$3,453
Fire Trucks Loan - 2014 - $160,000 - 3%	112,950	0	16,430	96,520	17,104
Fire Trucks Loan - 2001 - $221,000 - 3.95%	52,739	0	52,739	0	0
Fire Rescue Pumper - 2018 - $565,500 - 3.75%	0	565,500	0	565,500	52,259
Police Cruisers Loan - 2013 - $63,288 - 2.75%	12,661	0	12,661	0	0
Total Loans Payable	265,914	565,500	85,168	746,246	72,816
Net Pension Liability:					
OPERS	788,417	0	189,851	598,566	0
OP&F	1,348,107	0	117,363	1,230,744	0
Total Net Pension Liability	2,136,524	0	307,214	1,829,310	0
Net OPEB Liability:					
OPERS	352,977	62,075	0	415,052	0
OP&F	1,010,304	125,872	0	1,136,176	0
Total Net OPEB Liability	1,363,281	187,947	0	1,551,228	0
Compensated Absences Payable	133,886	4,667	46,425	92,128	38,591
Total Governmental Activities	$3,899,605	$758,114	$438,807	$4,218,912	$111,407

	Outstanding 12/31/2017	Additions	Reductions	Outstanding 12/31/2018	Amounts Due Within One Year
Business-Type Activities:					
General Obligation Bonds					
Sewer Farmers Home Administration 1993 - 5.00%	$488,000	$0	$23,000	$465,000	$24,000
Revenue Bonds					
Sewer Farmers Home Administration 1993 - 5.00%	1,222,000	0	57,000	1,165,000	59,000
OPWC Loans					
South Water Sludge Basin - 2009 - 0.00%	48,920	0	3,764	45,156	3,763
Green Acres Sewer Line - 2000 - 0.00%	9,096	0	3,032	6,064	3,032
Total OPWC Loans Payable	58,016	0	6,796	51,220	6,795
OWDA Loans					
Water Fund - 2010 - 3.00%	61,299	0	2,726	58,573	2,724
North Water Treatment Plant - 2011 - 0%	320,744	0	13,092	307,652	13,092
Jenkins Water Tank Replacement - 2011 - 2%	384,604	0	12,303	372,301	12,550
Fresh Water Fund (Phase II) - 2013 - 2.79%	59,886	0	3,642	56,244	4,680
South Water Treatment Plant - 2017 - 1.63%	156,332	249,940	42,524	363,748	0
Total OWDA Loans Payable	982,865	249,940	74,287	1,158,518	33,046
Other Loans					
Flex Net Loan- 2018 - 4.070%	0	440,023	0	440,023	36,444
Net Pension Liability - OPERS	1,600,724	0	581,537	1,019,187	0
Net OPEB Liability - OPERS	716,649	0	9,939	706,710	0
Compensated Absences Payable	99,618	15,358	0	114,976	57,616
Total Business-Type Activities	$5,167,872	$705,321	$752,559	$5,120,634	$216,901

Compensated absences will be paid from the funds from which employees are paid, which include the General Fund, the Fire Levy and the Street Special Revenue Funds, and the Water, Sewer, and Garbage Enterprise Funds. There is no repayment schedule for the net pension/OPEB liabilities. However, employer contributions are made from the following funds: General Fund, Water Fund, Sewer Fund, and Garbage Fund. For additional information related to the net pension and OPEB liabilities, see Notes 11 and 12.

As of December 31, 2018, the City's overall legal debt margin (the ability to issue additional amounts of general obligation bonded debt) was $5,903,930 with an unvoted debt margin of $3,483,426.

Governmental Activities:

The fire truck loan issued in 2001 for $221,000 was retired from the Sales Tax Special Revenue Fund in 2018.

In 2013, the City borrowed $63,288 to purchase two police cruisers. The loan was paid off in 2018 from the Sales Tax Fund.

In 2014, the City borrowed $160,000 to purchase a fire truck. The loan matures in 2024 and will be paid from the Sales Tax Fund.

In 2016, the City borrowed $90,250 to renovate the fire department. The loan matures in 2026 and will be paid from the Fire Fund.

In 2018, the City borrowed $565,500 to purchase a fire rescue pumper. This loan matures in 2030 and will be paid from the Sales Tax Fund.

The annual requirements to retire all governmental loans outstanding as of December 31, 2018 are as follows:

Year	Principal	Interest
2019	$72,816	$13,293
2020	59,589	24,694
2021	61,755	22,527
2022	63,950	20,332
2023	66,219	18,064
2024-2028	312,264	55,453
2029-2030	109,653	6,292
	$746,246	$160,655

Business-Type Activities:

General Obligation Bonds

In 1993, the City issued Farmers Home Administration General Obligation Bonds for the Sewer Fund in the amount of $798,000, for improvements to the City’s sewer system. The bonds mature in 2032 and will be repaid through user fees. Principal and interest requirements to retire the City's general obligation bonds outstanding at December 31, 2018, are:

Year	Principal	Interest
2019	$24,000	$23,250
2020	25,000	22,050
2021	26,000	20,800
2022	27,000	19,500
2023	29,000	18,150
2024-2028	167,000	67,650
2029-2032	167,000	21,400
	$465,000	$192,800

Revenue Bonds

The City issued $2,000,000 in Sewer Fund Revenue Bonds in 1993 for improvements to the City's sewer system. The bonds will mature in 2032. Proceeds from these bonds provided financing for a sewer improvement projects.

Principal and interest requirements to retire the City's revenue bonds outstanding at December 31, 2018, are:

Year	Principal	Interest
2019	$59,000	$58,250
2020	62,000	55,300
2021	65,000	52,200
2022	69,000	48,950
2023	72,000	45,500
2024-2028	420,000	169,500
2029-2032	418,000	53,500
	$1,165,000	$483,200

OPWC Loans

An OPWC loan was obtained in 2009 in the amount of $75,259 for South Water Plant Improvements. Repayment will be made from user fees. The loan will be paid off in 2030.

An OPWC loan was obtained in 2000 in the amount of $60,640 for the rehabilitation of the Green Acres sewer line. Repayment will be made from user fees. The loan will be paid off in 2020.

Principal requirements to retire the City's OPWC loans outstanding at December 31, 2018 are:

Year	Principal
2019	$6,795
2020	6,795
2021	3,763
2022	3,763
2023	3,763
2024-2028	18,815
2029-2030	7,526
	$51,220

OWDA Loans

An OWDA loan was obtained in 2010 in the amount of $81,729 for water system improvements. Repayment will be made from user fees and will be paid off in 2040.

An OWDA loan was obtained in 2011 for upgrades to the North Water Treatment Plant. Repayment will be made from user fees and a loan forgiveness grant, and will be paid off in 2042.

An OWDA loan was obtained in 2011 for replacement of the Jenkins Water Tank. Repayment will be made from user fees and a loan forgiveness grant, and will be paid off in 2042.

An OWDA loan was obtained in 2013 for additional upgrades to the North Water Treatment Plant (Fresh Water Phase II). Repayment will be from user fees, and will be paid off in 2029.

An OWDA loan was obtained in 2016 for upgrades to the South Water Treatment Plant (South Water Upgrade). This loan was rolled over to the OWDA loan obtained in 2017.

An OWDA loan was obtained in 2017 for upgrades to the South Water Treatments Plant (South Water Treatment Plant). Repayment will be made from a loan forgiveness grant. The loan has not been fully drawn, and an amortization schedule is not available.

Principal and interest requirements to retire the City's enterprise OWDA loans outstanding at December 31, 2018, are as follows:

Year	Principal	Interest
2019	$33,046	$8,921
2020	33,427	8,537
2021	33,819	8,144
2022	34,221	7,793
2023	34,634	7,332
2024-2028	179,667	30,174
2029-2033	161,855	20,003
2034-2038	167,129	11,621
2039-2042	116,972	2,710
Total	$794,770	$105,235

Other Loans

In 2018, the City borrowed $420,023 for the purchase of equipment to be used in water distribution and meter departments. Repayment will be made from the Water and Sewer Departments and will be paid off in 2028.

Principal and interest requirements to retire the City's enterprise other loans outstanding at December 31, 2018, are as follows:

Year	Principal	Interest
2019	$36,444	$18,157
2020	37,902	16,699
2021	39,512	15,090
2022	41,142	13,459
2023	42,840	11,761
2024-2028	242,183	30,825
	$440,023	$105,991

Pledged Revenues

The City has pledged future customer water revenues, net of specified operating expenses, to repay five Ohio Water Development Authority loans. The loans are payable solely from customer net revenues.

The final loan payment will be in 2042. Net revenues include all revenues received by the water utility less all operating expenses other than depreciation expense.
Annual principal and interest payments on the loans are expected to require 10 percent of net revenues.

The total principal and interest remaining to be paid on the loans is $1,263,753. Principal and interest payments for the current year were $84,493, net revenues were $418,320 and total revenues were $1,726,512.

The City has pledged future customer sewer revenues, net of specified operating expenses, to repay $2,000,000 in revenue bonds issued in 1993. The bonds are payable solely from customer net revenues and are payable through 2032. Net revenues include all revenues received by the sewer utility less all operating expenses other than depreciation expense.

Annual principal and interest payments on the bonds are expected to require 40 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $1,648,200. Principal and interest payments for the current year were $175,500, net revenues were $426,659 and total revenues were $1,242,111.

NOTE 16 - INTERFUND BALANCES

A. Internal Balances – Change in Proportionate Share

The City uses an internal proportionate share to allocate its net pension/OPEB liability and corresponding deferred outflows/inflows of resources and pension/OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position, thus allowing the total column to present the change in proportionate share for the City as a whole.

Eliminations made in the total column of the entity wide statement of net position related to pension include deferred outflows of resources for the governmental type activities and deferred inflows of resources for the governmental type activities in the amount of $36,032, deferred outflows of resources for the business-type activities ($86 related to the Water Enterprise Fund, $2,651 related to the Sewer Enterprise Fund, and $1,650 related to the Garbage Enterprise Fund) and deferred inflows of resources for the business-type activities in the amount of $4,387.

Eliminations made in the total column of the entity wide statement of net position related to OPEB include deferred outflows of resources for governmental type activities and deferred inflows of resources for the business-type activities in the amount of $22,370.

B. Other Internal Balances

Interfund Receivable and Interfund Payable balances at December 31, 2018, consisted of an interfund receivable to the General Fund and an interfund payable from the Recreation Special Revenue Fund. The advance from the General Fund to the Recreation Special Revenue Fund is due to timing differences with a reimbursement-basis grant. This advance will be repaid when the grant money is received.

NOTE 17 - CONTINGENT LIABILITIES

A. Litigation

The City is currently party to legal proceedings. The City has determined that any potential liability will not have a material effect on the financial statements.

B. Federal and State Grants

For the period January 1, 2018, to December 31, 2018, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

NOTE 18 - SIGNIFICANT COMMITMENTS

A. Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to ensure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amount of encumbrances expected to be honored upon performance by the vendor in the next year were as follows:

General Fund	$78,530
Fire Fund	13,115
Street Fund	11,494
Non-Major Governmental Funds	111,825
Water Fund	498,643
Sewer Fund	29,430
Garbage Fund	223,123
	$966,160

B. Contractual Commitments

As of December 31, 2018, the City had contractual commitments as follows:

Project	Fund	Contract Amount	Amount Expended	Balance at 12/31/2018
Governmental Activities:				
Bike Path Construction	Recreation	$24,544	$24,544	$0
Business-Type Activities:				
South Water Treatment Plant Improvements	Water	767,556	397,035	370,521
Flex Net	Water	433,473	0	433,473
Business-Type Total		1,201,029	397,035	803,994
Total Contractual Commitments		$1,225,573	$421,579	$803,994

City of Wellston, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0103120%	0.0105210%	0.0097660%	0.0095470%	0.0095470%
City's Proportionate Share of the Net Pension Liability	$1,617,753	$2,389,141	$1,691,594	$1,151,471	$1,125,465
City's Covered Payroll	$1,362,769	$1,165,808	$1,041,908	$1,170,417	$857,338
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.71%	204.93%	162.36%	98.38%	131.27%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 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 Wellston, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Asset
Ohio Public Employees Retirement System - Combined Plan
2018 (1)

	2018
City's Proportion of the Net Pension Asset	0.0134290%
City's Proportionate Share of the Net Pension Asset	$18,281
City's Covered Payroll	$55,000
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

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 Wellston, 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
City's Proportion of the Net OPEB Liability	0.0103300%	0.0105900%
City's Proportionate Share of the Net OPEB Liability	$1,121,762	$1,069,626
City's Covered Payroll	$1,463,302	$1,269,608
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.66%	84.25%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(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 report supplementary information

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

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0200530%	0.0212840%	0.0210600%	0.0206536%	0.0206536%
City's Proportionate Share of the Net Pension Liability	$1,230,744	$1,348,107	$1,354,804	$1,069,942	$1,005,894
City's Covered Payroll	$448,713	$454,728	$440,284	$422,474	$336,540
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	274.28%	296.46%	307.71%	253.26%	298.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 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 Wellston, 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	0.0200530%	0.0212840%
City's Proportionate Share of the Net OPEB Liability	$1,136,176	$1,010,304
City's Covered Payroll	$448,713	$454,728
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	253.21%	222.18%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

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

City of Wellston, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Public Employees Retirement System
Last Six Years (1)(2)

	2018	2017	2016
Net Pension Liability - Traditional Plan			
Contractually Required Contribution	$203,169	$177,160	$139,897
Contributions in Relation to the Contractually Required Contribution	(203,169)	(177,160)	(139,897)
Contribution Deficiency (Excess)	$0	$0	$0
City Covered Payroll	$1,451,207	$1,362,769	$1,165,808
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%
Net Pension Asset - Combined Plan			
Contractually Required Contribution	$7,738	$7,150	$6,828
Contributions in Relation to the Contractually Required Contribution	(7,738)	(7,150)	(6,828)
Contribution Deficiency (Excess)	$0	$0	$0
City Covered Payroll	$55,271	$55,000	$56,900
Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%
Net OPEB Liability - OPEB Plan (3)			
Contractually Required Contribution	$2,185	$15,999	$26,330
Contributions in Relation to the Contractually Required Contribution	(2,185)	(15,999)	(26,330)
Contribution Deficiency (Excess)	$0	$0	$0
City Covered Payroll	$1,561,103	$1,463,302	$1,269,608
Contributions as a Percentage of Covered Payroll	0.14%	1.09%	2.07%

(1) Information prior to 2013 is not available.
(2) The OPEB plan includes the members from the traditional plan, the combined plan, and the member directed plan. The member directed plan is a defined contribution plan: therefore, the pension side is not included above.
(3) Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

2015	2014	2013
$125,029	$140,450	$111,454
(125,029)	(140,450)	(111,454)
$0	$0	$0
$1,041,908	$1,170,417	$857,338
12.00%	12.00%	13.00%
$6,600	$6,000	$6,500
(6,600)	(6,000)	(6,500)
$0	$0	$0
$55,000	$50,000	$50,000
12.00%	12.00%	13.00%

City of Wellston, Ohio
Required Supplementary Information
Schedule of City Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$95,380	$91,613	$92,657	$89,864
Contributions in Relation to the Contractually Required Contribution	(95,380)	(91,613)	(92,657)	(89,864)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll (1)	$472,109	$448,713	$454,728	$440,284
Pension Contributions as a Percentage of Covered Payroll	20.20%	20.42%	20.38%	20.41%
Net OPEB Liability				
Contractually Required Contribution	$2,361	$2,243	$2,273	$2,201
Contributions in Relation to the Contractually Required Contribution	(2,361)	(2,243)	(92,657)	(89,864)
Contribution Deficiency (Excess)	$0	$0	($90,384)	($87,663)
City Covered Payroll	$472,109	$448,713	$454,728	$440,284
OPEB Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%
Total Contributions as a Percentage of Covered Payroll	20.70%	20.92%	20.88%	20.91%

(1) The City's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
$86,434	$57,125	$45,743	$67,911	$74,739	$82,759
(86,434)	(57,125)	(45,743)	(67,911)	(74,739)	(82,759)
$0	$0	$0	$0	$0	$0
$422,474	$336,540	$331,364	$487,473	$527,508	$605,295
20.46%	16.97%	13.80%	13.93%	14.17%	13.67%
$2,113	$12,171	$22,367	$32,904	$35,607	$40,858
(86,434)	(57,125)	(45,743)	(67,911)	(74,739)	(82,759)
($84,321)	($44,954)	($23,376)	($35,007)	($39,132)	($41,901)
$422,474	$336,540	$331,364	$487,473	$527,508	$605,295
0.50%	3.62%	6.75%	6.75%	6.75%	6.75%
20.96%	20.59%	20.55%	20.68%	20.92%	20.42%

Changes in Assumptions – OPERS Pension

Amounts reported beginning in 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	2017	2016 and prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent 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 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Changes in Assumptions – OP&F Pension

Amounts reported for 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented below:

	2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 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	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

Amounts reported for 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

Amounts reported for 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

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

Amounts reported for 2017 and prior use valuation, rates of death were 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.

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.

J.L. UHRIG
AND ASSOCIATES INC.

CERTIFIED PUBLIC ACCOUNTANT AND MANAGEMENT CONSULTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards*

City of Wellston
Jackson County
20 East Broadway
Wellston, Ohio 45692

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Wellston, Jackson County, Ohio (the City), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 23, 2019, where we noted the City adopted Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.*

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed 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.

J. L. Uhrig and Associates, Inc.

J. L. UHRIG AND ASSOCIATES, INC.
Chillicothe, Ohio

July 23, 2019

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF WELLSTON

JACKSON 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
SEPTEMBER 24, 2019

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