CITY OF HUBBARD
TRUMBULL COUNTY

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2019

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF HUBBARD
TRUMBULL COUNTY
DECEMBER 31, 2019

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OHIO AUDITOR OF STATE
KEITH FABER

101 Central Plaza South
700 Chase Tower
Canton, Ohio 44702-1509
(330) 438-0617 or (800) 443-9272
EastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

City of Hubbard
Trumbull County
PO Box 307
220 West Liberty St.
Hubbard, Ohio 44425-0307

To the Members of Council and Mayor:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hubbard, Trumbull County, Ohio (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hubbard, Trumbull County, Ohio, as of December 31, 2019, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Street Construction and Maintenance funds, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 21, the financial impact of COVID-19 and the emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding these matters.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 14, 2020, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Keith Faber

Keith Faber
Auditor of State

Columbus, Ohio

July 14, 2020

The management's discussion and analysis of the City of Hubbard's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2019. 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 2019 are as follows:

- The total net position of the City increased $1,688,966. Net position of governmental activities increased $1,157,642 or 62.76% and net position of business-type activities increased $531,324 or 2.88%.

- General revenues accounted for $2,752,969 or 83.60% of total governmental activities revenue while program specific revenues accounted for $540,131 or 16.40%.

- The City had $2,135,458 in expenses related to governmental activities; $540,131 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of $1,595,327 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of $2,752,969.

- The City's major governmental funds are the general fund and the street construction and maintenance fund. The general fund had revenues of $3,051,198 in 2019 and expenditures and other financing uses of $3,052,111. The net decrease in fund balance for the general fund was $913 or 0.06%.

- The street construction and maintenance fund had revenues and other financing sources of $777,426 in 2019 and expenditures of $693,369. The net increase in fund balance for the street construction and maintenance fund was $84,057 or 21.07%.

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 as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did the City perform financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting reflects all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net position and the statement of activities, the City is divided into two distinct kinds of activities:

Governmental activities - Most of the City's programs and services are reported here including police, street maintenance, cemetery, capital improvements, and general administration. These services are funded primarily by property taxes, income taxes, and intergovernmental revenues including federal and State grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, electric, guarantee trust and stormwater operations are reported here.

The City's statement of net position and statement of activities can be found on pages 17-19 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been 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. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant fund. The analysis of the City's major governmental and proprietary funds begins on page 11.

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 near-term inflows and outflows of spendable resources, as well as the resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of 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 readers may better understand the long-term impact of the government's near-term financing 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 several individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and street construction and maintenance fund. Information for the major funds 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. The basic governmental fund financial statements can be found on pages 20-26 of this report.

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric, guarantee trust and stormwater operations. The sewer, water, and electric enterprise funds are considered major funds.

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 27-33 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency and private-purpose trust funds are the City's fiduciary fund types. The basic fiduciary fund financial statements can be found on pages 34-35 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 37-87 of this report.

Required Supplementary Information (RSI)

The RSI contains information regarding the City's proportionate share of the Ohio Public Employees Retirement System's (OPERS) and Ohio Police and Fire (OP&F) net pension liability/net pension asset and net OPEB liability, and the City's schedule of contributions to OPERS and OP&F. The RSI can be found on pages 90-104 of this report.

Government-Wide Financial Analysis

The statement of net position serves as a useful indicator of a government's financial position. The following table provides a summary of the City's net position at December 31, 2019 and December 31, 2018.

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	$ 3,951,111	$ 4,286,932	$ 12,956,689	$ 13,317,583	$ 16,907,800	$ 17,604,515
Capital assets, net	3,697,807	3,741,107	13,592,416	12,962,009	17,290,223	16,703,116
Total assets	7,648,918	8,028,039	26,549,105	26,279,592	34,198,023	34,307,631
Deferred outflows of resources						
Pension	1,023,243	462,555	745,958	358,313	1,769,201	820,868
OPEB	218,734	215,445	118,427	78,575	337,161	294,020
Total deferred outflows of resources	1,241,977	678,000	864,385	436,888	2,106,362	1,114,888
Liabilities						
Current liabilities	233,285	219,653	1,836,334	1,595,708	2,069,619	1,815,361
Long-term liabilies:						
Due within one year	500,109	464,025	700,185	798,868	1,200,294	1,262,893
Net pension liability	3,606,523	2,556,619	2,340,047	1,358,468	5,946,570	3,915,087
Net OPEB liability	768,391	2,250,737	1,146,786	970,269	1,915,177	3,221,006
Other amounts	178,377	603,132	2,211,466	2,995,805	2,389,843	3,598,937
Total liabilities	5,286,685	6,094,166	8,234,818	7,719,118	13,521,503	13,813,284
Deferred inflows of resources						
Property taxes	285,528	286,187	-	-	285,528	286,187
Pension	138,982	328,355	125,048	420,476	264,030	748,831
OPEB	177,490	152,763	58,931	113,517	236,421	266,280
Total deferred inflows of resources	602,000	767,305	183,979	533,993	785,979	1,301,298
Net position						
Net investment in capital assets	3,302,721	2,956,690	10,466,859	10,463,430	13,769,580	13,420,120
Restricted	79,656	103,168	-	-	79,656	103,168
Unrestricted	(380,167)	(1,215,290)	8,527,834	7,999,939	8,147,667	6,784,649
Total net position	$ 3,002,210	$ 1,844,568	$ 18,994,693	$ 18,463,369	$ 21,996,903	$ 20,307,937

The net pension liability/asset is reported pursuant to Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net other postemployment benefits (OPEB) liability is reported pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability, and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net pension asset.

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/asset 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.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2019, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $21,996,903. At year-end, net position was $3,002,210 and $18,994,693 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets, representing 50.56% of total assets at December 31, 2019. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure, and construction in progress. The City's net investment in capital assets at December 31, 2019, was $3,302,721 and $10,466,859 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's net investment in capital assets is reported net of related long-term obligations, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, $79,656, represents resources that are subject to external restriction on how they may be used. The unrestricted net position was $8,147,667. The deficit unrestricted net position for governmental activities is due to reporting the net pension and net OPEB liabilities.

The following table presents a comparative analysis of changes in net position for 2019 and 2018.

Change in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues:						
Charges for services	$ 38,605	$ 41,848	$ 10,348,484	$ 10,883,644	$ 10,387,089	$ 10,925,492
Operating grants and contributions	501,526	467,312	-	-	501,526	467,312
Capital grants and contributions	-	132,193	-	-	-	132,193
Total program revenues	540,131	641,353	10,348,484	10,883,644	10,888,615	11,524,997
General revenues:						
Property taxes	287,195	281,509	-	-	287,195	281,509
Income taxes	1,932,027	2,439,848	-	-	1,932,027	2,439,848
Other local taxes	-	-	28,844	30,805	28,844	30,805
Unrestricted grants and entitlements	167,917	145,054	-	-	167,917	145,054
Investment earnings	163,212	156,369	14,252	1,282	177,464	157,651
Miscellaneous	202,618	369,393	92,862	131,489	295,480	500,882
Total general revenues	2,752,969	3,392,173	135,958	163,576	2,888,927	3,555,749
Total revenues	3,293,100	4,033,526	10,484,442	11,047,220	13,777,542	15,080,746

-Continued

Change in Net Position (Continued)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Expenses:						
General government	519,544	505,116	-	-	519,544	505,116
Security of persons and property	584,779	2,061,545	-	-	584,779	2,061,545
Public health and welfare	17,824	25,406	-	-	17,824	25,406
Transportation	968,021	979,954	-	-	968,021	979,954
Community environment	837	800	-	-	837	800
Leisure time activity	26,678	28,947	-	-	26,678	28,947
Interest and fiscal charges	17,775	25,684	-	-	17,775	25,684
Sewer	-	-	1,521,340	1,219,966	1,521,340	1,219,966
Water	-	-	1,573,293	1,699,170	1,573,293	1,699,170
Electric	-	-	6,729,962	7,448,546	6,729,962	7,448,546
Guarantee trust	-	-	7,916	9,605	7,916	9,605
Stormwater	-	-	120,607	77,291	120,607	77,291
Total expenses	2,135,458	3,627,452	9,953,118	10,454,578	12,088,576	14,082,030
Change in net position	1,157,642	406,074	531,324	592,642	1,688,966	998,716
Net position at beginning of year	1,844,568	1,438,494	18,463,369	17,870,727	20,307,937	19,309,221
Net position at end of year	$ 3,002,210	$ 1,844,568	$ 18,994,693	$ 18,463,369	$ 21,996,903	$ 20,307,937

Governmental Activities

The net position of the governmental activities increased $1,157,642 or 62.76% in 2019. Overall, both revenues and expenses decreased, and revenues still exceeded expenses.

The overall decrease in revenues was $740,426 or 18.36%. Capital grants and contributions decreased in 2019 as a result of grants from the Ohio Public Works Department for street repairs and improvements that were received in 2018 not being received in 2019. Income taxes also decreased, which is mostly due to a decrease in taxes receivable at year-end.

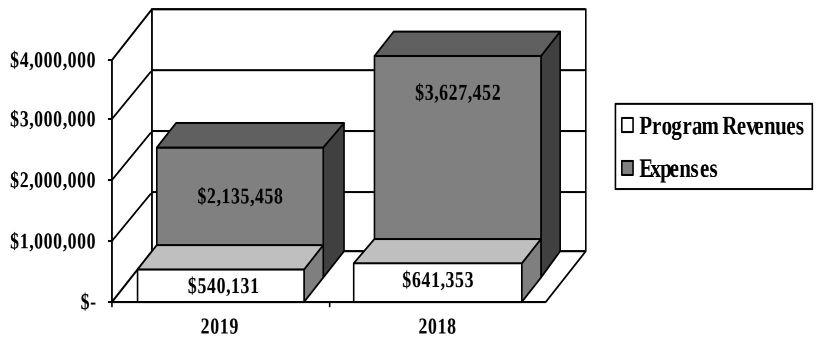
The State and federal government contributed to the City a total of $501,526 in operating grants and contributions during 2019. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, $499,879 subsidized the City's transportation programs.

General revenues totaled $2,752,969 and amounted to 83.60% of total governmental revenues. These revenues primarily consist of property and income tax revenue of $2,219,222. These two revenue sources comprised 67.39% of total governmental revenues in 2019.

Security of persons and property expenses, which primarily support the operations of the police department, accounted for $584,779 or 27.38% of the total expenses of the City. These expenses were $1,476,766 or 71.63% lower than the prior year due to the allocations of expenses related to the net pension and net OPEB liabilities.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. As can be seen in the graph below, the City is highly dependent upon property and income taxes, as well as unrestricted grants and entitlements and other general revenues, to support its governmental activities.

Governmental Activities – Program Revenues vs. Total Expenses



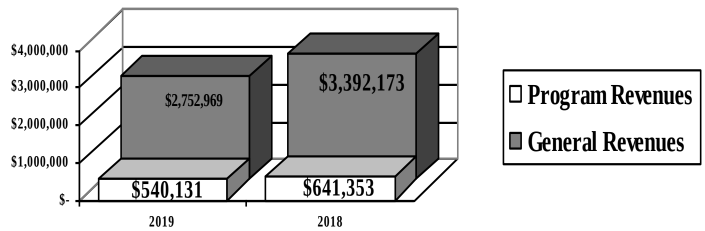
The following table shows, for governmental activities, the total cost of services and the net cost of services for 2019 and 2018. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues.

	Governmental Activities			
	Total Cost of Services 2019	Net Cost of Services 2019	Total Cost of Services 2018	Net Cost of Services 2018
Program Expenses:				
General government	$ 519,544	$ 509,725	$ 505,116	$ 498,215
Security of persons and property	584,779	557,568	2,061,545	2,024,784
Public health and welfare	17,824	16,249	25,406	20,660
Transportation	968,021	468,142	979,954	388,895
Community environment	837	837	800	800
Leisure time activity	26,678	25,031	28,947	27,061
Interest and fiscal charges	17,775	17,775	25,684	25,684
Total	$ 2,135,458	$ 1,595,327	$ 3,627,452	$ 2,986,099

The dependence upon general revenues for governmental activities is apparent, with 74.71% of expenses supported through taxes and other general revenues.

The following graph shows a comparison of program revenues and general revenues for governmental activities for 2019 and 2018.

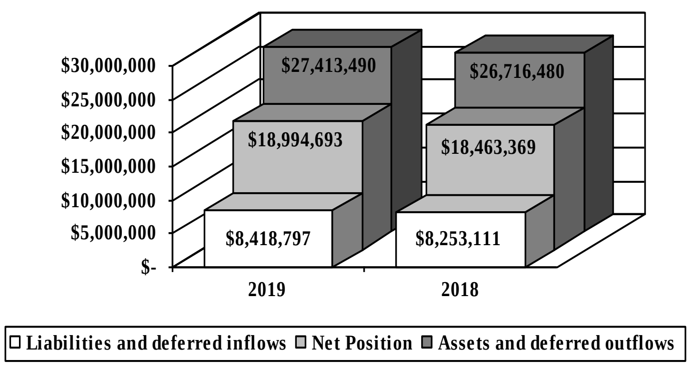
Governmental Activities – Program Revenues and General Revenues



Business-type Activities

Business-type activities include the water, sewer, electric, guarantee trust and stormwater enterprise funds. These programs had program revenues of $10,348,484, general revenues of $135,958, and expenses of $9,953,118 during 2019. The following graph shows the business-type activities assets, deferred outflows of resources, liabilities and net position at December 31, 2019 and December 31, 2018.

Net Position in Business-type Activities



Business-type activities net position increased $531,324 due to expenses decreasing and revenues decreasing in 2019.

Financial Analysis of the Government'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 assessing the City's financing requirements.

The City's governmental funds, as presented on the balance sheet, reported a combined fund balance of $2,580,189, which is $73,079 higher than last year's total of $2,507,110. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2019 and December 31, 2018 for all major and nonmajor governmental funds.

	Fund Balances 12/31/19	Fund Balances 12/31/18	Change
General Fund	$ 1,593,015	$ 1,593,928	$ (913)
Street construction and maintenance	482,965	398,908	84,057
Nonmajor Governmental Funds	504,209	514,274	(10,065)
Total	$ 2,580,189	$ 2,507,110	$ 73,079

General Fund

The City's general fund balance decreased $913 or 0.06%. The table that follows assists in illustrating the revenues of the general fund.

	2019 Amount	2018 Amount	Percentage Change
Revenues			
Taxes	$ 2,508,165	$ 2,318,600	8.18 %
Charges for services	647	559	15.74 %
Licenses and permits	121,599	127,678	(4.76) %
Fines and forfeitures	20,737	28,318	(26.77) %
Intergovernmental	160,274	141,066	13.62 %
Investment income	161,211	156,369	3.10 %
Other	78,565	200,073	(60.73) %
Total	$ 3,051,198	$ 2,972,663	2.64 %

Taxes revenue, consisting of property taxes and income taxes, represents 82.20% of all general fund revenue in 2019. As these revenues increased in 2019, overall general fund revenues increased 2.64%. The increase in intergovernmental revenue is primarily due to more local government funds being received by the City. Other revenues decreased due to less refunds and reimbursements received when compared to 2018.

The table that follows assists in illustrating the expenditures of the general fund.

	2019 Amount	2018 Amount	Percentage Change
Expenditures			
General government	$ 446,805	$ 410,024	8.97 %
Security of persons and property	1,754,205	1,522,318	15.23 %
Public health and welfare	14,450	14,326	0.87 %
Community environment	837	800	4.63 %
Leisure time activity	3,205	5,295	(39.47) %
Total	$ 2,219,502	$ 1,952,763	13.66 %

General fund expenditures increased $266,739 or 13.66% in 2019. Security of person and property expenditures increased in 2019 due to increase personnel services expenditures in the police department.

Street Construction and Maintenance Fund

The street construction and maintenance fund had revenues and other financing sources of $777,426 and expenditures of $693,369 in 2019. During 2019, fund balance increased $84,057 or 21.07%, primarily due to a transfer in of $281,419 from the general fund.

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity, then the appropriations can be adjusted accordingly.

In the general fund, actual budgetary-basis revenues and other financing sources of $2,330,549 were equal to the amount projected in the final budget. Actual budgetary-basis expenditures and other financing uses of $2,286,373 were $8,628 less than the amount in the final budget. Budgeted revenues and other financing sources increased $195,138 or 9.14% from the original to the final budget, with the greatest increase being attributed to transfers in. Budgeted expenditures and other financing uses decreased $88,934 or 3.73% from the original to the final budget, primarily due to a decrease in security of persons and property expenditures.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government-wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers), whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

The City's major enterprise funds are the sewer fund, water fund and electric fund. The sewer fund reported a decrease in net position for the year, while the water and electric funds reported an increase in net position. The activity in all three of these funds were comparable to the prior year.

Capital Assets and Debt Administration

Capital Assets

At the end of 2019, the City had $17,290,223 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure and construction in progress. Of this total, $3,697,807 was reported in governmental activities and $13,592,416 was reported in business-type activities. See Note 9 in the notes to the basic financial statements for more detail on the City's capital assets.

The following table shows December 31, 2019 balances compared to December 31, 2018.

Capital Assets at December 31
(Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	$ 597,871	$ 597,871	$ 180,423	$ 180,423	$ 778,294	$ 778,294
Construction in progress	-	-	1,197,338	220,618	1,197,338	220,618
Land improvements	91,506	122,430	21,946	33,977	113,452	156,407
Buildings and improvements	1,285,273	1,333,888	2,405,007	2,539,221	3,690,280	3,873,109
Furniture and equipment	24,451	33,096	1,086,405	1,168,607	1,110,856	1,201,703
Vehicles	310,570	331,137	122,175	155,380	432,745	486,517
Infrastructure	1,388,136	1,322,685	8,579,122	8,663,783	9,967,258	9,986,468
Totals	$ 3,697,807	$ 3,741,107	$ 13,592,416	$ 12,962,009	$ 17,290,223	$ 16,703,116

The overall decrease in governmental capital assets is due to depreciation expense of $341,050 exceeding capital additions of $297,750 during 2019. The overall increase in business-type capital assets is due to capital asset additions of $1,482,456 exceeding the sum of depreciation expense and disposals of $852,049.

One of the City's largest governmental capital asset categories is infrastructure, which includes roads, sidewalks, traffic lights and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents 37.54% of the City's total governmental capital assets. Buildings and improvements is also a significant capital asset category, accounting for 34.76% of the City's total governmental capital assets.

The City's largest business-type capital asset category is infrastructure, which primarily includes water, sewer, and electrical lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents 63.12% of the City's total business-type capital assets.

Debt Administration

At December 31, 2019, the City had long-term obligations totaling $11,451,884. Of this total, $1,200,294 is due within one year and $10,251,590 is due in more than one year. See Note 13 in the notes to the basic financial statements for more detail on the City's long-term obligations.

The City had the following long-term obligations outstanding at December 31, 2019 and December 31, 2018.

	Governmental Activities	
	December 31, 2019	December 31, 2018
Refunding bonds	$ 370,000	$ 735,000
Compensated absences	283,400	282,740
Net pension liability	3,606,523	2,556,619
Net OPEB liability	768,391	2,250,737
Capital lease obligation	25,086	49,417
Total long-term obligations	$ 5,053,400	$ 5,874,513

	Business-type Activities	
	December 31, 2019	December 31, 2018
OPWC loans	$ 290,608	$ 350,758
OWDA loans	102,174	300,148
Bond anticipation notes	645,000	785,000
Sewer revenue bonds	1,600,000	2,000,000
Stranded cost liability	23,507	54,299
Net pension liability	2,340,047	1,358,468
Net OPEB liability	1,146,786	970,269
Compensated absences	210,065	225,517
Capital lease obligation	40,297	78,951
Total long-term obligations	$ 6,398,484	$ 6,123,410

Economic Conditions and Next Year's General Fund Budget Outlook

The City's Administration considers the impact of various economic factors when establishing the 2020 budget. The stabilization of both revenue and expense streams have influenced the objectives established in the 2020 budget. As a result, the City continues to operate its financial decision making conservatively.

The City continues to carefully monitor two primary sources of revenue – local income taxes and shared intergovernmental (state) revenue. In order to sustain these revenue sources, City Council continues to make efforts to maintain the community's employment base, the community's reputation for high public safety standards, and adopt a budget designed to promote long-term fiscal stability. In order to meet the objectives of the 2020 budget, the City continues initiatives which contain costs and maintain consistent revenues.

Final budgeted revenues and other financing sources in the general fund for 2019 were $2,330,549, a decrease of $60,330 or 2.52% from the final 2018 budgeted amount of $2,390,879. Final budgeted expenditures and other financing uses in the general fund for 2019 were $2,298,001, an increase of $210,351 or 11.80% from the final 2018 budgeted amount of $2,084,650. For the financial reporting purposes of budgetary activity, the general fund is comprised of only the legally budgeted general fund.

The average unemployment rate for Trumbull County in 2019 was 6.1%, which represents a slight decrease from the 2018 rate of 6.2%. This is the result of a continued economic strength in most market sectors. Although significant regional employers shuttered operation in late 2018 and early 2019, new opportunities of industrial development have begun construction. The Trumbull County unemployment rate compared slightly higher than the 4.1% State of Ohio average as well as the 3.5% national average. The City Auditor anticipates the 2020 rate to increase due to the effects of the global COVID-19 pandemic. The economic uncertainty facing the United States as well as the global economy will continue to challenge the City's finances into the foreseeable future.

Contacting the City's Financial Management

This financial report is designed to provide our citizens', taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information contact the City Auditor's Office, Michael C. Villano, Ph.D., CPA, CMA, CGMA Auditor, City of Hubbard, Ohio, 220 West Liberty Street, Hubbard, Ohio 44425 or visit our website at www.cityofhubbard-oh.gov.

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CITY OF HUBBARD, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	$ 2,817,316	$ 10,623,364	$ 13,440,680
Cash in segregated accounts	550	500	1,050
Receivables (net of allowance for uncollectibles):			
Income taxes	426,432	-	426,432
Real and other taxes	336,457	4,140	340,597
Accounts	33,507	830,214	863,721
Special assessments	16,750	-	16,750
Internal balance	(16,086)	16,086	-
Due from other governments	253,123	853	253,976
Prepayments	41,181	96,358	137,539
Materials and supplies inventory	32,967	515,437	548,404
Investment in joint ventures	-	61,849	61,849
Regulatory asset	-	786,317	786,317
Net pension asset	8,914	21,571	30,485
Capital assets:			
Nondepreciable capital assets	597,871	1,377,761	1,975,632
Depreciable capital assets, net	3,099,936	12,214,655	15,314,591
Total capital assets	3,697,807	13,592,416	17,290,223
Total assets	7,648,918	26,549,105	34,198,023
Deferred outflows of resources:			
Pension	1,023,243	745,958	1,769,201
OPEB	218,734	118,427	337,161
Total deferred outflows of resources	1,241,977	864,385	2,106,362
Liabilities:			
Accounts payable	29,583	512,644	542,227
Contracts payable	11,666	134,953	146,619
Retainage payable	-	172,525	172,525
Accrued wages and benefits	60,058	55,519	115,577
Due to other governments	24,938	32,318	57,256
Accrued interest payable	740	25,565	26,305
Claims payable	106,300	-	106,300
Bond anticipation notes payable	-	140,000	140,000
Regulatory liability	-	762,810	762,810
Long-term liabilities:			
Due within one year	500,109	700,185	1,200,294
Due in more than one year:			
Net pension liability	3,606,523	2,340,047	5,946,570
Net OPEB liability	768,391	1,146,786	1,915,177
Other amounts due in more than one year	178,377	2,211,466	2,389,843
Total liabilities	5,286,685	8,234,818	13,521,503
Deferred inflows of resources:			
Property and other taxes levied for the next fiscal year	285,528	-	285,528
Pension	138,982	125,048	264,030
OPEB	177,490	58,931	236,421
Total deferred inflows of resources	602,000	183,979	785,979
Net position:			
Net investment in capital assets	3,302,721	10,466,859	13,769,580
Restricted for:			
State highway	38,212	-	38,212
Law enforcement	27,553	-	27,553
Other purposes	12,169	-	12,169
Perpetual care:			
Expendable	882	-	882
Nonexpendable	840	-	840
Unrestricted	(380,167)	8,527,834	8,147,667
Total net position	$ 3,002,210	$ 18,994,693	$ 21,996,903

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

		Program Revenues	
	Expenses	**Charges for Services**	**Operating Grants and Contributions**
Governmental activities:			
General government	$ 519,544	$ 9,819	$ -
Security of persons and property	584,779	27,211	-
Public health and welfare	17,824	1,575	-
Transportation	968,021	-	499,879
Community environment	837	-	-
Leisure time activity	26,678	-	1,647
Interest and fiscal charges	17,775	-	-
Total governmental activities	2,135,458	38,605	501,526
Business-type activities:			
Sewer	1,521,340	1,448,142	-
Water	1,573,293	1,609,299	-
Electric	6,729,962	7,160,888	-
Other business-type activities:			
Guarantee trust	7,916	-	-
Stormwater	120,607	130,155	-
Total business-type activities	9,953,118	10,348,484	-
Total primary government	$ 12,088,576	$ 10,387,089	$ 501,526

General Revenues:

Property taxes levied for:

General purposes

Police pension

Income taxes levied for:

General purposes

Other local taxes

Grants and entitlements not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position at beginning of year

Net position at 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
$ (509,725)	$ -	$ (509,725)
(557,568)	-	(557,568)
(16,249)	-	(16,249)
(468,142)	-	(468,142)
(837)	-	(837)
(25,031)	-	(25,031)
(17,775)	-	(17,775)
(1,595,327)	-	(1,595,327)
-	(73,198)	(73,198)
-	36,006	36,006
-	430,926	430,926
-	(7,916)	(7,916)
-	9,548	9,548
-	395,366	395,366
(1,595,327)	395,366	(1,199,961)
257,548	-	257,548
29,647	-	29,647
1,932,027	-	1,932,027
-	28,844	28,844
167,917	-	167,917
163,212	14,252	177,464
202,618	92,862	295,480
2,752,969	135,958	2,888,927
1,157,642	531,324	1,688,966
1,844,568	18,463,369	20,307,937
$ 3,002,210	$ 18,994,693	$ 21,996,903

CITY OF HUBBARD, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019

	General	Street Construction and Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
Assets:				
Equity in pooled cash and cash equivalents	$ 1,431,781	$ 371,344	$ 510,725	$ 2,313,850
Cash in segregated accounts	200	350	-	550
Receivables (net of allowance for uncollectibles):				
Income taxes	426,432	-	-	426,432
Real and other taxes	301,650	-	34,807	336,457
Accounts	28,453	-	-	28,453
Special assessments	16,750	-	-	16,750
Due from other governments	73,591	164,154	15,378	253,123
Prepayments	23,128	18,000	53	41,181
Materials and supplies inventory	6,626	26,341	-	32,967
Total assets	$ 2,308,611	$ 580,189	$ 560,963	$ 3,449,763
Liabilities:				
Accounts payable	$ 27,371	$ 1,212	$ 1,000	$ 29,583
Contracts payable	-	-	11,666	11,666
Accrued wages and benefits	47,171	12,887	-	60,058
Compensated absences payable	38,270	-	-	38,270
Due to other governments	18,108	5,689	1,141	24,938
Total liabilities	130,920	19,788	13,807	164,515
Deferred inflows of resources:				
Property and other taxes levied for the next fiscal year	255,990	-	29,538	285,528
Income tax revenue not available	220,518	-	-	220,518
Delinquent property tax revenue not available	39,602	-	4,570	44,172
Special assessments revenue not available	16,750	-	-	16,750
Intergovernmental revenue not available	51,816	77,436	8,839	138,091
Total deferred inflows of resources	584,676	77,436	42,947	705,059
Fund balances:				
Nonspendable	36,746	44,341	893	81,980
Restricted	-	438,624	95,827	534,451
Committed	-	-	45,086	45,086
Assigned	-	-	362,403	362,403
Unassigned	1,556,269	-	-	1,556,269
Total fund balances	1,593,015	482,965	504,209	2,580,189
Total liabilities, deferred inflows of resources and fund balances	$ 2,308,611	$ 580,189	$ 560,963	$ 3,449,763

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2019

Total governmental fund balances		$ 2,580,189
Amounts reported for governmental activities on 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.		3,697,807
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.		
Income taxes receivable	$ 220,518	
Property taxes receivable	44,172	
Special assessments receivable	16,750	
Intergovernmental receivable	138,091	
Total		419,531
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(740)
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.		402,220
An internal balance is recorded in governmental activities to reflect underpayments or overpayments to the internal service fund by the business-type activities.		(16,086)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds payable	(370,000)	
Compensated absences payable	(245,130)	
Capital lease payable	(25,086)	
Total		(640,216)
The net pension asset/liability is not due and receivable/payable in the current period; therefore, the asset, liability and related deferred inflows/outflows of resources are not reported in the governmental funds:		
Deferred outflows of resources - pension	1,023,243	
Deferred inflows of resources - pension	(138,982)	
Net pension asset	8,914	
Net pension liability	(3,606,523)	
Total		(2,713,348)
The net OPEB liability is not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Deferred outflows of resources	218,734	
Deferred inflows of resources	(177,490)	
Net OPEB liability	(768,391)	
Total		(727,147)
Net position of governmental activities		$ 3,002,210

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	General	Street Construction and Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Income taxes	$ 2,252,729	$ -	$ -	$ 2,252,729
Property and other taxes	255,436	-	29,403	284,839
Charges for services	647	-	1,575	2,222
Licenses and permits	121,599	-	-	121,599
Fines and forfeitures	20,737	-	4,173	24,910
Intergovernmental	160,274	483,232	37,830	681,336
Investment income	161,211	4,659	127	165,997
Other	78,565	8,116	9,857	96,538
Total revenues	3,051,198	496,007	82,965	3,630,170
Expenditures:				
Current:				
General government	446,805	-	25,401	472,206
Security of persons and property	1,754,205	-	40,959	1,795,164
Public health and welfare	14,450	-	-	14,450
Transportation	-	667,504	23,714	691,218
Community environment	837	-	-	837
Leisure time activity	3,205	-	22,202	25,407
Capital outlay	-	-	150,034	150,034
Debt service:				
Principal retirement	-	24,331	365,000	389,331
Interest and fiscal charges	-	1,534	16,910	18,444
Total expenditures	2,219,502	693,369	644,220	3,557,091
Excess (deficiency) of revenues over (under) expenditures	831,696	(197,362)	(561,255)	73,079
Other financing sources (uses):				
Transfers in	-	281,419	551,190	832,609
Transfers out	(832,609)	-	-	(832,609)
Total other financing sources (uses)	(832,609)	281,419	551,190	-
Net change in fund balances	(913)	84,057	(10,065)	73,079
Fund balances at beginning of year	1,593,928	398,908	514,274	2,507,110
Fund balances at end of year	$ 1,593,015	$ 482,965	$ 504,209	$ 2,580,189

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, 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, 2019

Net change in fund balances - total governmental funds			$	73,079
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 costs of those assets are allocated over their estimated useful lives as depreciation expense.				
Capital asset additions	$	297,750		
Current year depreciation		(341,050)		
Total				(43,300)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.				
Income taxes		(320,702)		
Property taxes		2,356		
Special assessments		9,047		
Intergovernmental revenues		(27,771)		
Total				(337,070)
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.				669
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.				389,331
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.				
Pension				244,756
OPEB				5,255
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.				
Pension				(546,533)
OPEB				1,455,653
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.				37,610
An internal service fund used by management to charge the costs of health insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, net of internal balance activity of $155,159, is:				(121,808)
Change in net position of governmental activities			$	1,157,642

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF HUBBARD, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	**Final**	**Actual**	
Revenues:				
Property and other taxes	$ 234,590	$ 256,029	$ 256,029	$ -
Charges for services	593	647	647	-
Licenses and permits	109,775	119,806	119,806	-
Fines and forfeitures	19,001	20,737	20,737	-
Intergovernmental	143,553	156,671	156,671	-
Investment income	147,713	161,211	161,211	-
Other	71,704	78,256	78,256	-
Total revenues	726,929	793,357	793,357	-
Expenditures:				
Current:				
General government	360,735	349,146	343,458	5,688
Security of persons and property	1,802,300	1,722,315	1,719,480	2,835
Public health and welfare	-	14,450	14,450	-
Community environment	900	740	740	-
Leisure time activity	10,000	3,250	3,205	45
Total expenditures	2,173,935	2,089,901	2,081,333	8,568
Excess of expenditures over revenues	(1,447,006)	(1,296,544)	(1,287,976)	8,568
Other financing sources (uses):				
Transfers in	1,408,482	1,537,192	1,537,192	-
Transfers out	(210,000)	(205,100)	(205,040)	60
Total other financing sources (uses)	1,198,482	1,332,092	1,332,152	60
Net change in fund balance	(248,524)	35,548	44,176	8,628
Fund balance at beginning of year	1,380,613	1,380,613	1,380,613	-
Fund balance at end of year	$ 1,132,089	$ 1,416,161	$ 1,424,789	$ 8,628

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
STREET CONSTRUCTION AND MAINTENANCE FUND

	Budgeted Amounts			Variance with Final Budget
	Original	**Final**	**Actual**	**Positive (Negative)**
Revenues:				
Intergovernmental	$ 392,445	$ 456,544	$ 456,543	$ (1)
Investment income	4,382	4,655	4,659	4
Other	4,795	8,115	8,116	1
Total revenues	401,622	469,314	469,318	4
Expenditures:				
Current:				
Transportation	839,700	668,660	666,224	2,436
Debt service:				
Principal retirement	24,500	23,600	24,331	(731)
Interest and fiscal charges	2,500	2,400	1,534	866
Total expenditures	866,700	694,660	692,089	2,571
Excess of expenditures over revenues	(465,078)	(225,346)	(222,771)	2,575
Other financing sources:				
Sale of capital assets	500	-	-	-
Transfers in	257,878	281,423	281,419	(4)
Total other financing sources	258,378	281,423	281,419	(4)
Net change in fund balances	(206,700)	56,077	58,648	2,571
Fund balances at beginning of year	312,696	312,696	312,696	-
Fund balance at end of year	$ 105,996	$ 368,773	$ 371,344	$ 2,571

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Sewer	**Water**	**Electric**	**Nonmajor**	**Total**	
Assets:						
Current assets:						
Equity in pooled cash and cash equivalents	$ 3,085,697	$ 1,502,926	$ 5,505,787	$ 528,954	$ 10,623,364	$ 503,466
Cash in segregated accounts	-	300	200	-	500	-
Receivables (net of allowance for uncollectibles):						
Real and other taxes	-	-	4,140	-	4,140	-
Accounts	117,341	128,818	567,343	16,712	830,214	5,054
Due from other governments	853	-	-	-	853	-
Prepayments	23,060	33,159	40,139	-	96,358	-
Materials and supplies inventory	16,751	85,616	413,070	-	515,437	-
Total current assets	3,243,702	1,750,819	6,530,679	545,666	12,070,866	508,520
Noncurrent assets:						
Net pension asset	5,901	5,992	9,678	-	21,571	-
Investment in joint ventures	-	-	61,849	-	61,849	-
Regulatory asset	-	-	786,317	-	786,317	-
Capital assets:						
Nondepreciable capital assets	1,292,416	85,345	-	-	1,377,761	-
Depreciable capital assets, net	5,909,064	4,231,220	1,837,631	236,740	12,214,655	-
Total capital assets	7,201,480	4,316,565	1,837,631	236,740	13,592,416	-
Total noncurrent assets	7,207,381	4,322,557	2,695,475	236,740	14,462,153	-
Total assets	10,451,083	6,073,376	9,226,154	782,406	26,533,019	508,520
Deferred outflows of resources:						
Pension	232,581	196,426	316,951	-	745,958	-
OPEB	51,838	25,462	41,127	-	118,427	-
Total deferred outflows of resources	284,419	221,888	358,078	-	864,385	-
Liabilities:						
Current liabilities:						
Accounts payable	50,937	52,664	409,043	-	512,644	-
Contracts payable	134,953	-	-	-	134,953	-
Retainage payable	172,525	-	-	-	172,525	-
Accrued wages and benefits	16,519	14,694	24,306	-	55,519	-
Compensated absences	15,045	14,217	77,422	-	106,684	-
Due to other governments	12,422	6,892	13,004	-	32,318	-
Claims payable	-	-	-	-	-	106,300
Regulatory liability	-	-	762,810	-	762,810	-
Current portion of OWDA loans	-	102,174	-	-	102,174	-
Current portion of OPWC loans	13,304	37,726	-	-	51,030	-
Bond anticipation notes payable	-	-	140,000	-	140,000	
Current portion of capital lease obligation	-	-	40,297	-	40,297	-
Current portion of revenue bonds	400,000	-	-	-	400,000	-
Accrued interest payable	4,688	-	20,877	-	25,565	-
Total current liabilities	820,393	228,367	1,487,759	-	2,536,519	106,300
Long-term liabilities:						
Revenue bonds payable	1,200,000	-	-	-	1,200,000	-
OPWC loans	152,992	86,586	-	-	239,578	-
Stranded cost liability	-	-	23,507	-	23,507	-
Bond anticipation notes payable	-	-	645,000	-	645,000	-
Compensated absences	13,404	25,064	64,913	-	103,381	-
Net pension liability	640,182	649,987	1,049,878	-	2,340,047	-
Net OPEB liability	313,734	318,539	514,513	-	1,146,786	-
Total long-term liabilities	2,320,312	1,080,176	2,297,811	-	5,698,299	-
Total liabilities	3,140,705	1,308,543	3,785,570	-	8,234,818	106,300
Deferred inflows of resources:						
Pension	10,988	18,116	95,944	-	125,048	-
OPEB	851	5,177	52,903	-	58,931	-
Total deferred inflows of resources	11,839	23,293	148,847	-	183,979	-
Net position:						
Net investment in capital assets	5,127,706	4,090,079	1,012,334	236,740	10,466,859	-
Unrestricted	2,455,252	873,349	4,637,481	545,666	8,511,748	402,220
Total net position	$ 7,582,958	$ 4,963,428	$ 5,649,815	$ 782,406	18,978,607	$ 402,220
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds					16,086	
Net position of business-type activities					$ 18,994,693	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Sewer	**Water**	**Electric**	**Nonmajor**
Operating revenues:				
Charges for services	1,448,142	1,609,299	7,160,888	130,155
Other	17,584	27,144	39,089	9,045
Total operating revenues	1,465,726	1,636,443	7,199,977	139,200
Operating expenses:				
Personal services	767,680	675,530	1,007,772	-
Contract services	262,139	677,397	5,287,043	123,899
Materials and supplies	154,591	99,127	312,264	-
Claims expense	-	-	-	-
Other	797	-	-	-
Depreciation	303,758	151,188	171,861	4,624
Total operating expenses	1,488,965	1,603,242	6,778,940	128,523
Operating income (loss)	(23,239)	33,201	421,037	10,677
Nonoperating revenues (expenses):				
Interest expense and fiscal charges	(68,004)	(12,004)	(15,835)	-
Debt issuance costs	-	-	(13,564)	-
Investment income	14,252	-	-	-
Other nonoperating revenues	-	-	28,844	-
Total nonoperating revenues (expenses)	(53,752)	(12,004)	(555)	-
Change in net position	(76,991)	21,197	420,482	10,677
Net position at beginning of year	7,659,949	4,942,231	5,229,333	771,729
Net position at end of year	$ 7,582,958	$ 4,963,428	$ 5,649,815	$ 782,406

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in net position of business-type activities

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Total	Governmental Activities - Internal Service Fund
10,348,484	1,039,237
92,862	-
10,441,346	1,039,237
2,450,982	-
6,350,478	-
565,982	-
-	1,005,086
797	-
631,431	-
9,999,670	1,005,086
441,676	34,151
(95,843)	-
(13,564)	-
14,252	-
28,844	-
(66,311)	-
375,365	34,151
	368,069
	$ 402,220
155,959	
$ 531,324	

CITY OF HUBBARD, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Sewer	**Water**	**Electric**	**Nonmajor**
Cash flows from operating activities:				
Cash received from customers	$ 1,448,817	$ 1,608,424	$ 7,274,672	$ 129,430
Cash received from other operations	22,410	27,144	39,089	9,045
Cash payments for personal services	(608,855)	(550,487)	(917,248)	-
Cash payments for contract services	(241,387)	(682,627)	(5,382,572)	(114,675)
Cash payments for materials and supplies	(157,643)	(104,474)	(263,203)	(9,379)
Cash payments for claims	-	-	-	-
Cash payments for other expenses	(1,650)	-	-	-
Net cash provided by operating activities	461,692	297,980	750,738	14,421
Cash flows from noncapital financing activities:				
Cash received from property and other taxes	-	-	28,629	-
Net cash provided by noncapital financing activities	-	-	28,629	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(889,860)	-	-	(64,500)
Note issuance	-	-	785,000	-
Principal retirement	(419,177)	(238,947)	(998,654)	-
Interest and fiscal charges	(68,042)	(12,004)	(28,126)	-
Debt issuance costs	-	-	(8,564)	-
Premium on debt issuance	-	-	8,564	-
Net cash used in capital and related financing activities	(1,377,079)	(250,951)	(241,780)	(64,500)
Cash flows from investing activities:				
Interest received	14,252	-	-	-
Net cash provided by investing activities	14,252	-	-	-
Net change in cash and cash equivalents	(901,135)	47,029	537,587	(50,079)
Cash and cash equivalents at beginning of year	3,986,832	1,456,197	4,968,400	579,033
Cash and cash equivalents at end of year	$ 3,085,697	$ 1,503,226	$ 5,505,987	$ 528,954

Total	Governmental Activities - Internal Service Fund
$ 10,461,343	$ 1,037,447
97,688	-
(2,076,590)	-
(6,421,261)	-
(534,699)	-
-	(1,005,586)
(1,650)	-
1,524,831	31,861
28,629	-
28,629	-
(954,360)	-
785,000	-
(1,656,778)	-
(108,172)	-
(8,564)	-
8,564	-
(1,934,310)	-
14,252	-
14,252	-
(366,598)	31,861
10,990,462	471,605
$ 10,623,864	$ 503,466

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CITY OF HUBBARD, OHIO

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds			
	Sewer	**Water**	**Electric**	**Nonmajor**
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	$ (23,239)	$ 33,201	$ 421,037	$ 10,677
Adjustments:				
Depreciation	303,758	151,188	171,861	4,624
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Materials and supplies inventory	(7,237)	(2,088)	46,182	-
Accounts receivable	675	(875)	82,992	(725)
Due from other governments	3,973	-	-	-
Prepayments	(7,812)	(596)	(1,008)	-
Net pension asset	641	1,826	4,097	-
Deferred outflows - pension	(145,121)	(96,818)	(145,706)	-
Deferred outflows - OPEB	(29,312)	(5,169)	(5,371)	-
Accounts payable	25,951	784	(60,850)	(155)
Retainage payable	-	(8,722)	-	-
Accrued wages and benefits	3,600	277	201	-
Due to other governments	6,927	(593)	(874)	-
Compensated absences payable	802	1,814	(18,068)	-
Claims payable	-	-	-	-
Net pension liability	324,322	272,499	384,758	-
Net OPEB liability	88,135	48,923	39,459	-
Deferred inflows - pension	(68,416)	(80,189)	(146,823)	-
Deferred inflows - OPEB	(15,955)	(17,482)	(21,149)	-
Net cash provided by operating activities	$ 461,692	$ 297,980	$ 750,738	$ 14,421

Non-cash transactions:
At December 31, 2019, the sewer fund had $307,478 in capital asset acquisitions on account ($134,953 contracts payable and $172,525 retainage payable).
At December 31, 2018, the water fund had $8,722 in capital asset acquisitions on account (retainage payable).

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Total	Governmental Activities - Internal Service Fund
$ 441,676	$ 34,151
631,431	-
36,857	-
82,067	(1,790)
3,973	-
(9,416)	-
6,564	-
(387,645)	-
(39,852)	-
(34,270)	-
(8,722)	-
4,078	-
5,460	-
(15,452)	-
-	(500)
981,579	-
176,517	-
(295,428)	-
(54,586)	-
$ 1,524,831	$ 31,861

CITY OF HUBBARD, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2019

	Private-Purpose Trust	Agency
Assets:		
Equity in pooled cash and cash equivalents	$ 7,572	$ 750
Receivables:		
Real and other taxes	-	23,203
Due from other governments	-	1,707
Total assets	7,572	$ 25,660
Liabilities:		
Due to other governments	-	$ 24,910
Deposits held and due to others	-	750
Total liabilities	-	$ 25,660
Net position:		
Held in trust for other purposes	7,572	
Total net position	$ 7,572	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2019

		Private-Purpose Trust
Additions:		
Interest	$	1
Total additions		1
Change in net position		1
Net position at beginning of year	$	7,571
Net position at end of year	$	7,572

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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NOTE 1 - DESCRIPTION OF THE CITY

The City of Hubbard, Ohio (the "City") was created in 1868. It is located in Trumbull County and is a politic and corporate body established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The City operates under a Council-Mayor form of government and provides the following services to its residents: public safety (police), Mayor's Court, highways and streets, public improvements, community development (planning and zoning), water, sewer, electric, parks and recreation and general administrative services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34". A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City, this includes police protection, parks and recreation, water and sewer service, street maintenance and repairs and general administrative services.

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; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may 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. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government's financial statements incomplete or misleading. Based upon the application of these criteria, the City has no component units. The basic financial statements of the reporting entity include only those of the City (the primary government).

The following organizations are described due to their relationship to the City:

JOINTLY GOVERNED ORGANIZATIONS

Municipal Energy Services Agency (MESA) - The City has signed an Intergovernmental Joint Venture Agreement with MESA to access a pool of personnel experienced in the planning, management, engineering, construction, safety training and other technical aspects of the operation and maintenance of municipal electric and other utility systems; and to provide those services on call, as needed and as available for the benefit of the City. The City will incur no financial obligation to the jointly governed organization unless and until it avails itself of the services of the jointly governed organization.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Hubbard Township-City of Hubbard Joint Economic Development District (JED District) - The City has entered into a contractual agreement with Hubbard Township to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, Trumbull County, Hubbard Township and the City. The JED District is administered by a five member Board of Directors consisting of a Trustee representative of Hubbard Township, a representative of the City, a representative of business owners within the JED District, a representative of persons working within the JED District, and an additional member selected by the previously mentioned members who shall serve as Board Chairman. The City and Hubbard Township are to make a minimum annual contribution of $500 each to the JED District's operation reserve fund to provide for administrative costs and expenses of the Board of Directors. In 2019, the Board of Directors waived the $500 annual contribution. The City has an ongoing financial responsibility to fund the JED District. Upon termination of the contractual agreement, any property, assets and obligations of the JED District shall be divided equally between the parties, except that any items of infrastructure constructed by or for anybody shall be retained by that party.

Eagle Joint Fire District (Fire District) - The Eagle Joint Fire District is a jointly governed organization pursuant to the Ohio Revised Code 505.371. The Fire District was formed in 2008 and consists of the City and Hubbard Township. The Fire District Board consists of a Trustee from the City, a Trustee from Hubbard Township and three residents of the Fire District. A new resident is appointed by the City in odd numbered years and by Hubbard Township in even numbered years. Revenues are generated from Fire District levies. During 2019, the City did not make any contributions to the Fire District.

JOINT VENTURE WITH EQUITY INTEREST

Ohio Municipal Electric Generation Agency Joint Ventures (OMEGA JV5) - The City is a Financing Participant with an ownership percentage of 2.07 %, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP. OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2019, the City has met their debt coverage obligation.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued $153,415,000 and $13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of $56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of $116,910,000, which resulted in a savings to the membership of $34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was $65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of $49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to $49,243,377 at the time of refunding as compared to its value at December 31, 2015 of $49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was $61,849 at December 31, 2019. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The following is a summary of audited financial information for the OMEGA JV5 as of the year ended December 31, 2019:

	OMEGA JV5
Total assets and deferred outflows of resources	$ 105,713,178
Total liabilities and deferred inflows of resources	102,725,291
Net position	2,987,887
Total revenues	23,243,140
Total expenses	23,243,140
Change in net position	-

The City reports equity interest equal to their undivided ownership percentage of the joint ventures members' equity. The City's undivided ownership of the OMEGA JV5 is 2.07 percent.

The City reports the equity interest of the joint venture on the statement of net position is $61,849.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following tables show the major participants and percentage of ownership for the OMEGA JV5:

Participants	Percentage of Ownership
Cuyahoga Falls	16.67
Bowling Green	15.73
Niles	10.63
Napoleon	7.35
Jackson	7.14
Hudson	5.69
Wadsworth	5.62
Oberlin	3.02
New Bremen	2.38
Bryan	2.19
Other	23.58
Total	100.00

B. Basis of Presentation - Fund Accounting

The City's 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 activities of the internal service fund are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. On the statement of activities, interfund services provided and used are not eliminated in the process of consolidation.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental functions are self-financing or draw from the general revenues of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for services. Operating expenses for the enterprise funds include personnel and other expenses related to sewer, water and electric operations, and operating expenses for the internal service fund include claims and administrative expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street construction and maintenance fund - This fund accounts for the portion of state gasoline tax and motor vehicle registration fees restricted for the maintenance of the streets within the City.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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.

Enterprise funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sewer fund - This fund accounts for the operations of providing sewage services to customers and to maintain the local sewer system of the City.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Water fund - This fund accounts for the operations of providing water services to its customers and to maintain the local water system of the City.

Electric fund - This fund accounts for the operations of providing electric services to customers and to maintain the local electric system of the City.

Other enterprise funds of the City are used to account for guarantee trust and stormwater operations.

Internal service fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on the operations of hospitalization and health insurance.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. 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. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary funds are private-purpose trust funds, which account for the maintenance of the Mizner and Hultz family plots, and agency funds, which account for the Mayor's Court and Hubbard Union Cemetery.

D. Measurement Focus and Basis of Accounting

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources are generally 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. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial 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, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

The private-purpose trust funds are reported using the economic resources measurement focus. The agency funds do not report a measurement focus as they do not report operations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Basis of Accounting

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

Revenues - Exchange and Nonexchange Transactions - Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On the 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.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On the accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax and local government funds), fines and forfeitures, and fees.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 16 and 17 for deferred outflows of resources related the City’s net pension liability and net OPEB liability, respectively.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements 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 and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 operations. These amounts have been recorded as a deferred inflow of resources 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, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 16 and 17 for deferred inflows of resources related to the City's net pension liability and net OPEB liability, respectively. These deferred inflow of resources are only reported on the government-wide statement of net position.

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.

F. Budgetary Data

The City follows these procedures in establishing the budgetary data reported in the basic financial statements:

Tax Budget - A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted; however, only the general fund and major special revenue funds are required to be reported in the basic financial statements.

Estimated Resources - The County Budget Commission (the "Commission") determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances at December 31. Further amendments may be made during the year if money from a new revenue source is received or if actual receipts exceed current estimates. The amounts reported on budgetary statements reflect the amounts in the original and final amended official certificate of estimated resources issued during the year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Appropriations - A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, function, department and line item level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of City Council. The amounts reported on budgetary statements reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by City Council.

Budgeted Level of Expenditures - Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority of City Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by City Council. For all funds, City Council appropriations are made by fund, function (e.g. security of persons and property), department (e.g. police), and line item (e.g. salaries). This is known as the legal level of budgetary control. Any changes in appropriations outside of the legal level of budgetary control require the approval of City Council by an appropriation amendment ordinance.

Lapsing of Appropriations - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

G. Health Care

The Comprehensive Omnibus Budget Reconciliation Act (COBRA) of 1986 required the City to offer and provide terminated or retired employees continued participation in the City's employee healthcare benefits program, provided that the employees pay the rate established by the plan administrator. The City incurred no expenditures or revenues in providing these services. The participating former employees make premium payments directly to the City’s insurance provider and the insurance provider is responsible for all claims.

H. Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City’s records. Each fund’s interest in the pool is presented as “equity in pooled cash and cash equivalents” on the basic financial statements.

During 2019, investments were limited to the State Treasury Asset Reserve of Ohio (STAR Ohio) and nonnegotiable certificates of deposit. Nonnegotiable certificates of deposit are reported at cost. STAR Ohio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, “Certain External Investment Pools and Pool Participants.” The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

For 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding $25 million. STAR Ohio reserves the right to limit the transaction to $100 million, requiring the excess amount to be transacted the following business day(s), but only to the $100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During 2019, interest revenue credited to the general fund amounted to $161,211, which includes $144,034 assigned from other City funds.

The City has segregated bank accounts for monies held separate from the City's central bank account. The accounts are presented on the basic financial statements as "cash in segregated accounts" since they are not required to be deposited into the City treasury.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

An analysis of the City's investments at year end is provided in Note 4.

I. Materials and Supplies Inventory

On the government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market. Inventories are recorded on a first-in, first-out basis and are expensed/expended when used. Inventories are accounted for using the consumption method.

On the fund financial statements, reported materials and supplies inventory is equally offset by nonspendable fund balance in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption.

J. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of $5,000. The City's infrastructure consists of traffic signals, sidewalks, storm sewers, streets, and water, sewer, and electric lines. Infrastructure acquired prior to the implementation of GASB Statement No. 34 has been reported. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

All reported 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
Autos and trucks	8	8
Machinery, equipment, furniture and fixtures	5 - 20	5 - 20
Building improvements	15	15
Sewer and water treatment plants and buildings	N/A	20 - 40
Other buildings	40	40
Infrastructure	15 - 30	20 - 50
Land improvements	15 - 20	15 - 20

K. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with GASB Statement No. 16, "Accounting for 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 is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future. For purposes of establishing a liability for severance on those employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service or any employee with at least twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. Any applicable amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

L. Prepayments

Payments made to vendors for services that will benefit periods beyond December 31, 2019 are recorded as prepayments using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expense/expenditure in the year in which services are consumed.

On the fund financial statements, reported prepayments is equally offset by nonspendable fund balance in the governmental funds, which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

M. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims payable, compensated absences and net pension/OPEB liability that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due. 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. Interfund Balances

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as interfund balances. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as "internal balances".

O. Interfund Activity

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

P. 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 classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). 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) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the City Auditor the authority to constrain monies for intended purposes.

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund 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 restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

Q. Estimates

The preparation of the financial statements in conformity with GAAP 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.

R. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of resources intended for technological improvements for the Mayor’s Court.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2019.

T. Pensions/Other Postemployment Benefits (OPEB)

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

U. Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

Change in Accounting Principles

For 2019, the City has implemented GASB Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance.*" GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

Certain provisions contained in the following pronouncements were scheduled to be implemented for the fiscal year ended December 31, 2019. Due to the implementation of GASB Statement No. 95, the effective dates of certain provisions contained in these pronouncements are postponed by one year. The City has elected to postpone implementing the following pronouncements until the fiscal year ended December 31, 2020:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 90, *Majority Equity Interests*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

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NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the City 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.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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, the 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. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

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

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

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

7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,

8. 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.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Protection of the 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.

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 City Auditor or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Cash on Hand

At year end, the City had $1,050 in undeposited cash on hand, which is included on the financial statements of the City as part of "cash in segregated accounts".

B. Deposits with Financial Institutions

At December 31, 2019, the carrying amount of all City deposits was $13,443,635 and the bank balance of all City deposits was $13,756,356. Of the bank balance, $13,256,356 was exposed to custodial risk as discussed below because those deposits were uninsured and uncollateralized and $500,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of 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 has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City's 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 (2) participation in the 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. Although all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

C. Investments

As of December 31, 2019, the City had the following investments:

Measurement/ Investment type	Measurement Amount	Investment Maturity 6 months or less	% of Total
Amortized cost:			
STAR Ohio	$ 5,367	$ 5,367	100%

Interest Rate Risk: Interest rate risk arises as potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the City's investment policy limits investment portfolio maturities to five years or less.

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAm money market rating. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City's investment policy does not specifically address credit risk beyond requiring the City to only invest in securities authorized by State statute.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the City Auditor or qualified trustee.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer.

D. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2019:

Cash and investments per note	
Carrying amount of deposits	$ 13,443,635
Investments	5,367
Cash on hand	1,050
Total	$ 13,450,052
Cash and investments per statement of net position	
Governmental activities	$ 2,817,866
Business-type activities	10,623,864
Private-purpose trust funds	7,572
Agency funds	750
Total	$ 13,450,052

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2019, consisted of the following, as reported on the fund financial statements:

Transfers from general fund to:	Amount
Street construction and maintenance fund	$ 281,419
Nonmajor governmental funds	551,190
Total governmental funds	$ 832,609

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated for reporting on the statement of activities. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revaluated every six years. 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 real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Hubbard. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2019 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2019 operations and the collection of delinquent taxes has been offset by a deferred inflow of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is considered a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2019 was $3.10 per $1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2019 property tax receipts were based are as follows:

Real personal property	$ 114,368,620
Public utility tangible personal property	1,157,670
Total assessed valuation	$ 115,526,290

NOTE 7 - LOCAL INCOME TAX

The one and a half percent City income tax, which is not subject to renewal, is levied on substantially all income earned within the City. In addition, the residents of the City are required to pay City income tax on income they earn outside the City, however, full credit is allowed for all income taxes these residents pay to other municipalities. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Major employers are required to remit withholdings to the City monthly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the City. For governmental funds, income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2019. Income tax revenue for 2019 was $2,252,729 in the general fund.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2019, consisted of taxes, accounts (billings for user charged services), special assessments and intergovernmental receivables arising from grants, entitlements and shared revenues. All intergovernmental receivables have been classified as "due from other governments" on the basic financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2019.

Receivables have been disaggregated on the face of the basic financial statements. The only receivables not expected to be collected within the subsequent year are the special assessments, which are collected over the life of the assessment.

NOTE 9 - CAPITAL ASSETS

A. Governmental activities capital asset activity for the year ended December 31, 2019 was as follows:

	Balance 12/31/18	Additions	Disposals	Balance 12/31/19
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 597,871	$ -	$ -	$ 597,871
Total capital assets, not being depreciated	597,871	-	-	597,871
Capital assets, being depreciated:				
Land improvements	616,277	-	-	616,277
Buildings and improvements	2,368,351	-	-	2,368,351
Furniture and equipment	710,042	-	-	710,042
Vehicles	1,661,866	44,663	-	1,706,529
Infrastructure	6,762,120	253,087	-	7,015,207
Total capital assets, being depreciated	12,118,656	297,750	-	12,416,406
Less: accumulated depreciation:				
Land improvements	(493,847)	(30,924)	-	(524,771)
Buildings and improvements	(1,034,463)	(48,615)	-	(1,083,078)
Furniture and equipment	(676,946)	(8,645)	-	(685,591)
Vehicles	(1,330,729)	(65,230)	-	(1,395,959)
Infrastructure	(5,439,435)	(187,636)	-	(5,627,071)
Total accumulated depreciation	(8,975,420)	(341,050)	-	(9,316,470)
Total capital assets, being depreciated, net	3,143,236	(43,300)	-	3,099,936
Governmental activities capital assets, net	$ 3,741,107	$ (43,300)	$ -	$ 3,697,807

Depreciation expense was charged to governmental activities as follows:

Governmental activities:	
General government	$ 23,652
Security of persons and property	99,754
Transportation	216,506
Leisure time activity	1,138
Total depreciation expense - governmental activities	$ 341,050

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Business-type activities capital asset activity for the year ended December 31, 2019 was as follows:

	Balance 12/31/18	Additions	Disposals	Balance 12/31/19
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 180,423	$ -	$ -	$ 180,423
Construction in progress	220,618	1,197,338	(220,618)	1,197,338
Total capital assets, not being depreciated	401,041	1,197,338	(220,618)	1,377,761
Capital assets, being depreciated:				
Land improvements	320,582	-	-	320,582
Buildings and improvements	5,729,227	-	-	5,729,227
Furniture and equipment	6,903,855	-	-	6,903,855
Vehicles	1,077,049	-	-	1,077,049
Infrastructure	17,434,476	285,118	-	17,719,594
Total capital assets, being depreciated	31,465,189	285,118	-	31,750,307
Less: accumulated depreciation:				
Land improvements	(286,605)	(12,031)	-	(298,636)
Buildings and improvements	(3,190,006)	(134,214)	-	(3,324,220)
Furniture and equipment	(5,735,248)	(82,202)	-	(5,817,450)
Vehicles	(921,669)	(33,205)	-	(954,874)
Infrastructure	(8,770,693)	(369,779)	-	(9,140,472)
Total accumulated depreciation	(18,904,221)	(631,431)	-	(19,535,652)
Total capital assets, being depreciated, net	12,560,968	(346,313)	-	12,214,655
Business-type activities capital assets, net	$ 12,962,009	$ 851,025	$ (220,618)	$ 13,592,416

Depreciation expense was charged to business-type activities as follows:

Business-type activities:	
Water	$ 151,188
Sewer	303,758
Electric	171,861
Stormwater (a nonmajor enterprise fund)	4,624
Total depreciation expense - business-type activities	$ 631,431

NOTE 10 - EMPLOYEE BENEFITS

Vacation and sick leave accumulated by governmental fund type employees have been recorded in the statement of net position to the extent the liability was due at year end. Vacation and sick leave earned by proprietary fund type employees is expensed when earned and has been recorded in the fund.

NOTE 10 - EMPLOYEE BENEFITS - (Continued)

Upon termination of City service, a fully vested employee is entitled to a percentage of accumulated sick leave based on years of service. At December 31, 2019, vested benefits for vacation leave for governmental fund type employees totaled $130,109 and vested benefits for sick leave totaled $115,021. For proprietary fund type employees, vested benefits for vacation leave totaled $106,684 and vested benefits for sick leave totaled $103,381 at December 31, 2019. Not included in the vested benefits for sick leave figures is a liability to accrue and record termination (severance) payments for employees expected to become eligible to retire in the future in accordance with GASB Statement No. 16.

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the City entered into leases to acquire vehicles. The leases meet the criteria of a capital lease as defined by GASB Statement No. 62, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

For business-type activities, a vehicle has been capitalized in the amount of $193,606. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the financial statements. Accumulated depreciation on the vehicle at December 31, 2019 was $84,704, leaving a book value of $108,903.

For governmental activities, a vehicle has been capitalized in the amount of $121,769. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the financial statements. Accumulated depreciation on the vehicle at December 31, 2019 was $38,053, leaving a book value of $83,716.

Lease payments in 2019 consisted of principal retirement of $38,654 paid from the electric fund and $24,331 paid from the street construction and maintenance fund. The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 2019.

Fiscal Year Ending December 31	Business-Type Activities	Governmental Activities
2020	$ 42,010	$ -
2021	-	25,865
Total future minimum lease payments	42,010	25,865
Less: amount representing interest	(1,713)	(779)
Present value of future minimum lease payments	$ 40,297	$ 25,086

NOTE 12 - NOTES PAYABLE

Changes in the City's notes payable activity for the year ended December 31, 2019, were as follows:

Business-type activites:	Balance 12/31/2018	Issued	Retired	Balance 12/31/2019
Bond anticipation notes:				
2018 Electric System Improvements - 2.75%	$ 175,000	$ -	$ (175,000)	$ -
2019 Electric System Improvements - 3.00%	-	140,000	-	140,000
Total business-type activities notes	$ 175,000	$ 140,000	$ (175,000)	$ 140,000

On March 7, 2019 the City issued bond anticipation notes to finance its electric system improvements line of credit liability. The notes are reported as a liability in the electric fund and mature on March 5, 2020.

NOTE 13 - LONG-TERM OBLIGATIONS

On March 8, 2018 the City issued bond anticipation notes to finance its electric system improvements line of credit liability. The notes are reported as a liability in the electric fund and were matured on March 7, 2019.

A. The City's long-term obligations at December 31, 2019 were as follows.

Governmental activities:	Interest Rate	Balance 12/31/18	Additions	Reductions	Balance 12/31/19	Amounts Due in One Year
Refunding bonds	0.60-2.40%	$ 735,000	$ -	$ (365,000)	$ 370,000	$ 370,000
Capital lease obligation	3.10%	49,417	-	(24,331)	25,086	-
Compensated absences		282,740	99,685	(99,025)	283,400	130,109
Net pension liablity		2,556,619	1,049,904	-	3,606,523	-
Net OPEB liablity		2,250,737	99,814	(1,582,160)	768,391	-
Total long-term obligations, governmental activities		$ 5,874,513	$ 1,249,403	$ (2,070,516)	$ 5,053,400	$ 500,109
Business-type activities:						
OPWC Loans:						
Sewer Issue II Lift Station	0.00%	$ 5,873	$ -	$ (5,873)	-	$ -
Bar Screen Replacement	0.00%	179,600	-	(13,304)	166,296	13,304
Waterline Looping	0.00%	3,246	-	(3,246)	-	-
Waterline Replacement	0.00%	27,063	-	(7,732)	19,331	7,732
N. Main Waterline	0.00%	134,976	-	(29,995)	104,981	29,994
Total OPWC loans		350,758	-	(60,150)	290,608	51,030
OWDA Loan:						
Transmission Waterlines	4.00%	300,148	-	(197,974)	102,174	102,174
Other Long-term Obligations:						
Compensated absences		225,517	86,638	(102,090)	210,065	106,684
Net pension liability		1,358,468	981,579	-	2,340,047	-
Net OPEB liability		970,269	176,517	-	1,146,786	-
Capital lease obligation	4.25%	78,951	-	(38,654)	40,297	40,297
Bond anticipation notes	2.75%	785,000	-	(785,000)	-	-
Bond anticipation notes	3.00%	-	645,000	-	645,000	-
Sewer revenue bonds, 2018	3.45%	2,000,000	-	(400,000)	1,600,000	400,000
Stranded cost liability		54,299	-	(30,792)	23,507	-
Total other long-term obligations		5,472,504	1,889,734	(1,356,536)	6,005,702	546,981
Total long-term obligations, business-type activities		$ 6,123,410	$ 1,889,734	$ (1,614,660)	$ 6,398,484	$ 700,185

Compensated absences will be paid from the fund from which the employee is paid, which is primarily the general fund and the street construction, maintenance, and repair fund for governmental activities and the electric, sewer and water funds for business-type activities. See Note 11 for detail regarding the capital lease obligations. See Note 16 and Note 17 for detail regarding the net pension liability and net OPEB liability, respectively.

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

B. The City has entered into five debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund a lift station replacement, wastewater bar screen replacement, waterline looping project and two waterline replacements. The amounts due to the OPWC are payable solely from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2019, the City has outstanding borrowings of $124,312 and $166,296 in the water and sewer funds, respectively. The loan agreements require semi-annual payments based on the actual amount loaned. The OPWC loans are interest free.

The City has pledged future water revenues to repay an Ohio Water Development Authority (OWDA) loan related to construction projects. The loan is payable solely from water fund revenues and is payable through 2020. Annual principal and interest payments on the loan are expected to require 12.83 percent of total revenues. The total principal and interest remaining to be paid on the loan is $106,226. Principal and interest paid for the current year was $209,980, with net customer revenues of $184,389 and total revenues of $1,636,443.

On March 8, 2018 the City issued bond anticipation notes of $960,000 in order to finance electric system improvements. The notes carried an interest rate of 2.75% and matured on March 7, 2019. On March 7, 2019 the City issued bond anticipation notes of $785,000 to refinance the 2018 notes. $140,000 is reported as a current liability (see Note 12) and $645,000 is reported as a long-term liability since it has been refinanced and replaced with debt obligations extending beyond one year past December 31, 2019 (see Note 21 for subsequent events). The notes carry an interest rate of 3% and mature on March 5, 2020.

On August 16, 2012, the City issued $2,890,000 in general obligation capital improvement refunding bonds to refund outstanding general obligation capital improvement bonds. The refunded debt was retired during 2012 and, accordingly, has been removed from the statement of net position. The refunding bonds bear an annual interest rate ranging from 0.60% - 2.40% and mature in 2020. The general obligation refunding bonds are secured by the full faith and credit of the City. The general obligation refunding bonds are repaid from the 2005 general obligation bond retirement fund (a nonmajor governmental fund).

On May 1, 2015, the City issued $2,000,000 in Sewer System Mortgage Revenue Bonds, Series 2015 for the purpose of funding the Municipal Wastewater Dewatering Equipment Replacement Project. On December 6, 2018, the City issued $2,000,000 in Sewer System Revenue Bonds, Series 2018 in order to currently refund the $800,000 outstanding principal on the Series 2015 bonds, and to provide additional funding for sewer system improvements. The refunded debt has been defeased and, accordingly, has been removed from the statement of net position. The Series 2018 bonds carry an interest rate of 3.45% and mature on December 1, 2023.

In 2011, the City was notified it would be held liable for stranded costs associated with the abandonment of the American Municipal Power Generating Station Project ("AMPGS Project"). The City has recorded a long-term obligation for the stranded cost liability in the electric fund (See Note 14 for more detail on the AMPGS Project).

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The following is the summary of the City's future annual debt service and interest requirements for long-term obligations:

Year Ending December 31,	General Obligation Capital Improvement Refunding Bonds			OPWC Loans		
	Principal	Interest	Total	Principal	Interest	Total
2020	$ 370,000	$ 8,880	$ 378,880	$ 51,030	$ -	$ 51,030
2021	-	-	-	51,032	-	51,032
2022	-	-	-	47,163	-	47,163
2023	-	-	-	28,302	-	28,302
2024	-	-	-	13,304	-	13,304
2025 - 2029	-	-	-	66,518	-	66,518
2030 - 2032	-	-	-	33,259	-	33,259
Total	$ 370,000	$ 8,880	$ 378,880	$ 290,608	$ -	$ 290,608

Year Ending December 31,	OWDA Loan			Sewer Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2020	$ 102,174	$ 4,052	$ 106,226	$ 400,000	$ 55,200	$ 455,200
2021	-	-	-	400,000	41,400	441,400
2022	-	-	-	400,000	27,600	427,600
2023	-	-	-	400,000	13,800	413,800
Total	$ 102,174	$ 4,052	$ 106,226	$ 1,600,000	$ 138,000	$ 1,738,000

C. The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of the property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City's legal debt margin excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2019, the City's total debt margin was $11,991,247, including available funds of $230,987, and the unvoted debt margin was $6,353,946.

NOTE 14 - AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City's share was 6,400 kilowatts of a total 771,281 kilowatts, giving the City a 0.83 percent share. The AMPGS Project required participants to sign "take or pay" contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project.

NOTE 14 - AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT - (Continued)

In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability.

The City's estimated share at March 31, 2014 of the impaired costs is $1,104,718. The City received a credit of $473,371 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of $289,439 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU). The City also made payments of $124,709 leaving a net impaired cost estimate of $217,199. Because payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City's liability. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the settlement among the participants and AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014 the City has made payments of $217,463 to AMP toward its net impaired cost estimate. Also since March 31, 2014, the City's allocation of additional costs incurred by the project is $13,436 and interest expense incurred on AMP's line-of-credit of $10,335, resulting in a net impaired cost estimate at December 31, 2019 of $23,507. The City does have a potential PHFU liability of $167,215 resulting in a net total potential liability of $190,722, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the City's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include negative items such as property taxes as well as positive revenue from leases or sale of all or a portion of the Meigs County site property.

The City intends to recover the costs associated with the AMPGS Project liability and repay AMP over the next several years through a power cost adjustment. Thus, this incurred cost has been capitalized and reported as a regulatory asset in the amount of $786,317 as of December 31, 2019, as allowed by GASB Codification Re10.

NOTE 15 - RISK MANAGEMENT

A. Comprehensive

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. During 2019, the City was insured through the Argonaut Insurance Group for all property and equipment, general liability, wrongful acts, law enforcement, public official, employment practices, automobile, employee dishonesty, money and securities, inland marine, EDP and umbrella liability. The insurance plan was purchased through Guy G. Latessa Insurance Agency.

NOTE 15 - RISK MANAGEMENT - (Continued)

The City has transferred risk of loss to the insurance carrier to the extent of the limits below.

Type of Coverage	Limits of Coverage	Deductible
Property and Equipment Breakdown	$37,976,100	$ 5,000
General Liability:		
Per occurrence	1,000,000	0
Aggregate	3,000,000	0
Law Enforcement Liability/Wrongful Acts:		
Per occurrence	1,000,000	10,000
Aggregate	2,000,000	0
Public Official Liability/Wrongful Acts:		
Per occurrence	1,000,000	10,000
Aggregate	2,000,000	0
Employment Practices Liability	1,000,000	10,000
Automobile:		
Liability	1,000,000	0
Comprehensive	1,000,000	500
Collision	1,000,000	500

Type of Coverage	Limits of Coverage	Deductible
Employee Dishonesty	$ 250,000	$ 500
Money and Securities	5,000	0
Inland Marine - scheduled	868,000	500
EDP	399,000	0
Umbrella Liability	10,000,000	10,000
Inland Marine - hired/leased	200,000	2,500
Cyber Liability	1,000,000	25,000

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

B. Employee Health Insurance

The City maintains an Employees Health Self-Insurance Fund, which has been classified as an internal service fund in the accompanying basic financial statements. The purpose of this fund is to pay the cost of medical benefits provided to City employees and their covered dependents for which the City is self-insured. The City is self-insured for the first $45,000 per participant; annual claims above such amounts are paid for by specific stop-loss insurance that the City maintains.

The City had one occurrence in a prior year in which settled claims exceeded the self-insurance amount. The liability for unpaid claims of $106,300 reported in the internal service fund at December 31, 2019, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The entire claims liability is expected to be paid within one year.

NOTE 15 - RISK MANAGEMENT - (Continued)

Changes in the claims liability amount for the last two years are:

	Balance at Beginning of Year	Current Claims	Claims Payment	Balance at End of Year
2019	$ 106,800	$ 1,005,086	$ (1,005,586)	$ 106,300
2018	74,100	1,129,166	(1,096,466)	106,800

C. Workers' Compensation

Workers' compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate of $100 of payroll plus administrative costs. The rate is determined based on accident history of the City. The City also pays unemployment claims to the State of Ohio as incurred.

NOTE 16 - DEFINED BENEFIT PENSION PLANS

Net Pension Liability/Asset

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

The net pension liability/asset represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability/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 this estimate annually.

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

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	**Public Safety**	**Public Safety**
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	**Law Enforcement**	**Law Enforcement**
Age and Service Requirements: Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	**Age and Service Requirements:** Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	**Public Safety and Law Enforcement**	**Public Safety and Law Enforcement**
Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	**Formula:** 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% 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 3.00%.

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member's FAS for the first 30 years of service.

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.00% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3.00% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. 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. 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% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	State and Local	Public Safety	Law Enforcement
2019 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee ***	10.0 %	*	**
2019 Actual Contribution Rates			
Employer:			
Pension	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits ****	0.0 %	0.0 %	0.0 %
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

* 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.

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was $247,138 for 2019. Of this amount, $29,725 is reported as due to other governments.

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit.

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3.00% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3.00% of their base pension or disability benefit.

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

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2019 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 %

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $172,489 for 2019. Of this amount, $12,560 is reported as due to other governments.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan, Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2018, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability or 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:

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.01199800%	0.02839200%	0.00950700%	0.03312200%	
Proportion of the net pension liability/asset current measurement date	0.01207500%	0.02706100%	0.00986500%	0.03233600%	
Change in proportionate share	0.00007700%	-0.00133100%	0.00035800%	-0.00078600%	
Proportionate share of the net pension liability	$ 3,307,098	$ -	$ -	$ 2,639,472	$ 5,946,570
Proportionate share of the net pension asset	-	(30,260)	(225)	-	(30,485)
Pension expense	675,566	8,397	(58)	342,558	1,026,463

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Combined	Member-Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	$ 153	$ -	$ 933	$ 108,444	$ 109,530
Net difference between projected and actual earnings on pension plan investments	448,854	6,519	77	325,182	780,632
Changes of assumptions	287,890	6,759	71	69,976	364,696
Changes in employer's proportionate percentage/ difference between employer contributions	60,708	-	-	34,008	94,716
Contributions subsequent to the measurement date	226,708	14,311	6,119	172,489	419,627
Total deferred outflows of resources	$ 1,024,313	$ 27,589	$ 7,200	$ 710,099	$ 1,769,201

	OPERS - Traditional	OPERS - Combined	OPERS - Member-Directed	OP&F	Total
Deferred inflows of resources					
Differences between expected and actual experience	$ 43,425	$ 12,360	$ -	$ 2,463	$ 58,248
Changes in employer's proportionate percentage/ difference between employer contributions	95,368	-	-	110,414	205,782
Total deferred inflows of resources	$ 138,793	$ 12,360	$ -	$ 112,877	$ 264,030

$419,627 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/asset in the year ending December 31, 2020.

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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	OPERS - Combined	OPERS - Member-Directed	OP&F	Total
Year Ending December 31:					
2020	$ 260,393	$ 1,022	$ 158	$ 147,575	$ 409,148
2021	148,036	(279)	145	75,392	223,294
2022	41,642	(144)	145	76,953	118,596
2023	208,753	1,898	174	121,870	332,695
2024	-	(780)	125	2,943	2,288
Thereafter	-	(812)	335	-	(477)
Total	$ 658,824	$ 905	$ 1,082	$ 424,733	$ 1,085,544

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, 2018, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 67.

Wage inflation	3.25%
Future salary increases, including inflation	3.25% to 10.75% including wage inflation
COLA or ad hoc COLA	Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 3.00%, simple through 2018, then 2.15% simple
Investment rate of return	
Current measurement date	7.20%
Prior measurement date	7.50%
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 for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables.

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

During 2018, 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 2.94% for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS 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 2018 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 %	2.79 %
Domestic equities	19.00	6.21
Real estate	10.00	4.90
Private equity	10.00	10.81
International equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate **-** The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2018 was 7.50%. 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 for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 7.20%, 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 (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share			
of the net pension liability (asset):			
Traditional Pension Plan	$ 4,885,545	$ 3,307,098	$ 1,995,394
Combined Plan	(10,013)	(30,260)	(44,921)
Member-Directed Plan	(99)	(225)	(395)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, 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.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2018, are presented below.

Valuation date	1/1/18 with actuarial liabilities rolled forward to 12/31/18
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25%
Inflation assumptions	2.75%, plus productivity increase rate of 0.50%
Cost of living adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

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

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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 Buck 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 recommended assumption changes based on this experience study were adopted by OP&F's Board and were effective beginning with the January 1, 2018 actuarial valuation.

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 and Guidelines. 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 average 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, 2018 are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income *	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation Linked Bonds *	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	12.00	5.70	6.10
Total	120.00 %		

Note: assumptions are geometric.
* levered 2x
** numbers include inflation

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate - The total pension liability was calculated using the discount rate of 8.00%. 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%. 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%, 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%), or one percentage point higher (9.00%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	$ 3,469,404	$ 2,639,472	$ 1,945,944

NOTE 17 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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. Health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined 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 2019 was 4.00%.

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

The City's contractually required contribution was $2,448 for 2019. Of this amount, $294 is reported as due to other governments.

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 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% 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.

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 2019, the portion of employer contributions allocated to health care was 0.50% 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.

Beginning January 1, 2019, OP&F changed its retiree health care model and 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 City's contractually required contribution to OP&F was $4,539 for 2019. Of this amount, $331 is reported as due to other governments.

Net OPEB Liabilities, OPEB Expense, and Deferred Outflows or 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, 2017, rolled forward to the measurement date of December 31, 2018, 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, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. 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 prior measurement date	0.01238000%	0.03312200%	
Proportion of the net OPEB liability current measurement date	0.01243100%	0.03233600%	
Change in proportionate share	0.00005100%	-0.00078600%	
Proportionate share of the net OPEB liability	$ 1,620,708	$ 294,469	$ 1,915,177
OPEB expense	$ 129,859	$ (1,501,701)	$ (1,371,842)

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

At December 31, 2019, 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	$ 548	$ -	$ 548
Net difference between projected and actual earnings on OPEB plan investments	74,300	9,968	84,268
Changes of assumptions	52,254	152,638	204,892
Changes in employer's proportionate percentage/ difference between employer contributions	40,466	-	40,466
Contributions subsequent to the measurement date	2,448	4,539	6,987
Total deferred outflows of resources	$ 170,016	$ 167,145	$ 337,161

	OPERS	OP&F	Total
Deferred inflows of resources			
Differences between expected and actual experience	$ 4,397	$ 7,889	$ 12,286
Changes of assumptions	-	81,523	81,523
Changes in employer's proportionate percentage/ difference between employer contributions	60,699	81,913	142,612
Total deferred inflows of resources	$ 65,096	$ 171,325	$ 236,421

$6,987 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 the year ending December 31, 2020.

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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:			
2020	$ 38,169	$ (740)	$ 37,429
2021	14,585	(740)	13,845
2022	12,288	(740)	11,548
2023	37,430	2,275	39,705
2024	-	(2,477)	(2,477)
Thereafter	-	(6,297)	(6,297)
Total	$ 102,472	$ (8,719)	$ 93,753

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 health care costs 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, 2017, rolled forward to the measurement date of December 31, 2018. 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%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	3.96%
Prior Measurement date	3.85%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.50%
Municipal Bond Rate	
Current measurement date	3.71%
Prior Measurement date	3.31%
Health Care Cost Trend Rate	
Current measurement date	10.00% initial, 3.25% ultimate in 2029
Prior Measurement date	7.50%, initial 3.25%, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 2018, 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 5.60% for 2018.

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 2018 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 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	5.16 %

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85% was used to measure the OPEB liability on the measurement date of December 31, 2017. 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 6.00% and a municipal bond rate of 3.71%. 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 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, 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 3.96%, 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 (2.96%) or one-percentage-point higher (4.96%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	$ 2,073,491	$ 1,620,709	$ 1,260,628

Sensitivity of the City/County'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 1.00% lower or 1.00% 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 2019 is 10.00%. 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% in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$ 1,557,853	$ 1,620,709	$ 1,693,102

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, 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, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Single discount rate:	
Currrent measurement date	4.66%
Prior measurement date	3.24%
Cost of Living Adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

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%.

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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 long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

Asset Class	Target Allocation	10 Year Expected Real Rate of Return **	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Private Markets	8.00	8.40	8.40
Core Fixed Income *	23.00	2.20	2.60
High Yield Fixed Income	7.00	4.20	4.80
Private Credit	5.00	8.30	7.50
U.S. Inflation Linked Bonds *	17.00	1.30	2.30
Master Limited Partnerships	8.00	6.70	6.40
Real Assets	8.00	7.00	7.00
Private Real Estate	12.00	5.70	6.10
Total	120.00 %		

Note: assumptions are geometric.
* levered 2x
** numbers include inflation

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - The total OPEB liability was calculated using the discount rate of 4.66%. A discount rate of 3.24% was used to measure the total OPEB liability at December 31, 2017. 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 8.00%. 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 4.13% at December 31, 2018 and 3.16% at December 31, 2017, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 4.66%.

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 4.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66%), or one percentage point higher (5.66%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	$ 358,743	$ 294,469	$ 240,516

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Due to the change from a self-funded plan to the stipend plan, disclosure of the healthcare cost trend rate for OP&F is no longer available.

Changes Between Measurement Date and Report Date - Beginning January 1, 2019 OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). 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. As a result of changing from the current healthcare model to the stipend based healthcare model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Although the exact amount of these changes is not known, the overall decrease to the City's net OPEB liability is expected to be significant.

NOTE 18 - 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 statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and street construction maintenance and repair fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

(a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);

(b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);

(e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,

(f) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

Net Change in Fund Balance

	General fund	Maintenance fund
Budget basis	$ 44,176	$ 58,648
Net adjustment for revenue accruals	(14,103)	26,689
Net adjustment for expenditure accruals	1,300,429	(1,280)
Net adjustment for other sources/uses	(1,332,152)	-
Funds budgeted elsewhere	737	-
GAAP basis	$ (913)	$ 84,057

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the income tax fund and the unclaimed monies fund.

NOTE 19 - CONTINGENCIES

A. Grants

The City received financial assistance from federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2019.

B. Litigation

The City is not currently a party to any legal proceedings that would have a materially adverse effect on the financial statements at December 31, 2019.

NOTE 20 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental fund and all nonmajor governmental funds are presented below:

Fund balance	General	Street Construction and Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepayments	$ 23,128	$ 18,000	$ 53	$ 41,181
Materials and supplies inventory	6,626	26,341		32,967
Unclaimed monies	6,992	-	-	6,992
Perpetual care	-	-	840	840
Total nonspendable	36,746	44,341	893	81,980
Restricted:				
Street construction and maintenance	-	438,624	-	438,624
State highway	-	-	31,933	31,933
Law enforcement	-	-	39,722	39,722
Maple Grove Cemetery	-	-	14,034	14,034
Police pension	-	-	9,256	9,256
Perpetual care	-	-	882	882
Total restricted	-	438,624	95,827	534,451
Committed:				
Law enforcement	-	-	8,927	8,927
Recreation	-	-	33,764	33,764
Other purposes	-	-	2,395	2,395
Total committed	-	-	45,086	45,086
Assigned:				
Debt service	-	-	230,987	230,987
Capital projects	-	-	131,416	131,416
Total assigned	-	-	362,403	362,403
Unassigned	1,556,269	-	-	1,556,269
Total fund balances	$ 1,593,015	$ 482,965	$ 504,209	$ 2,580,189

NOTE 21 - SIGNIFICANT SUBSEQUENT EVENTS

On March 5, 2020, the City issued bond anticipation notes in the amount of $645,000. The proceeds were used to retire the 2019 electric system improvements bond anticipation notes that matured on March 5, 2020. The notes bear an interest rate of 2.25% and mature on March 4, 2021.

NOTE 21 - SIGNIFICANT SUBSEQUENT EVENTS - (Continued)

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investments of the pension and other employee benefit plan in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY/NET PENSION ASSET
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST SIX YEARS

	2019	2018	2017	2016
Traditional Plan:				
City's proportion of the net pension liability	0.012075%	0.011998%	0.012762%	0.013435%
City's proportionate share of the net pension liability	$ 3,307,098	$ 1,882,254	$ 2,898,033	$ 2,327,111
City's covered payroll	$ 1,633,257	$ 1,590,746	$ 1,515,550	$ 1,879,283
City's proportionate share of the net pension liability as a percentage of its covered payroll	202.48%	118.33%	191.22%	123.83%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.08%
Combined Plan:				
City's proportion of the net pension asset	0.027061%	0.028392%	0.026830%	0.019680%
City's proportionate share of the net pension asset	$ 30,260	$ 38,651	$ 14,933	$ 9,577
City's covered payroll	$ 115,736	$ 116,277	$ 104,433	$ 50,042
City's proportionate share of the net pension asset as a percentage of its covered payroll	26.15%	33.24%	14.30%	19.14%
Plan fiduciary net position as a percentage of the total pension asset	126.64%	137.28%	116.55%	116.90%
Member Directed Plan:				
City's proportion of the net pension asset	0.009865%	0.009507%	0.010347%	0.010521%
City's proportionate share of the net pension asset	$ 225	$ 332	$ 43	$ 40
City's covered payroll	$ 56,390	$ 52,110	$ 53,716	$ 58,592
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.40%	0.64%	0.08%	0.07%
Plan fiduciary net position as a percentage of the total pension asset	113.42%	124.45%	103.40%	103.91%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2015		2014
	0.013078%		0.013078%
$	1,577,352	$	1,541,726
$	1,584,983	$	1,624,262
	99.52%		94.92%
	86.45%		86.36%
	0.014421%		0.014421%
$	5,553	$	1,513
$	52,717	$	52,292
	10.53%		2.89%
	114.83%		104.56%
	n/a		n/a
	n/a		n/a
	n/a		n/a
	n/a		n/a
	n/a		n/a

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST SIX YEARS

	2019	2018	2017	2016
City's proportion of the net pension liability	0.03233600%	0.03312200%	0.03439500%	0.03403400%
City's proportionate share of the net pension liability	$ 2,639,472	$ 2,032,833	$ 2,178,546	$ 2,189,406
City's covered payroll	$ 833,147	$ 605,900	$ 731,268	$ 876,253
City's proportionate share of the net pension liability as a percentage of its covered payroll	316.81%	335.51%	297.91%	249.86%
Plan fiduciary net position as a percentage of the total pension liability	63.07%	70.91%	68.36%	66.77%

Note: Information prior to 2014 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014
	0.03269990%	0.03269990%
	$ 1,693,991	$ 1,592,588
	$ 767,395	$ 688,262
	220.75%	231.39%
	72.20%	73.00%

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	2019	**2018**	**2017**	**2016**
Traditional Plan:				
Contractually required contribution	$ 226,708	$ 228,656	$ 206,797	$ 181,866
Contributions in relation to the contractually required contribution	(226,708)	(228,656)	(206,797)	(181,866)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 1,619,343	$ 1,633,257	$ 1,590,746	$ 1,515,550
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%
Combined Plan:				
Contractually required contribution	$ 14,311	$ 16,203	$ 15,116	$ 12,532
Contributions in relation to the contractually required contribution	(14,311)	(16,203)	(15,116)	(12,532)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 102,221	$ 115,736	$ 116,277	$ 104,433
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%
Member Directed Plan:				
Contractually required contribution	$ 6,119	$ 5,639	$ 5,211	$ 5,103
Contributions in relation to the contractually required contribution	(6,119)	(5,639)	(5,211)	(5,103)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 61,190	$ 56,390	$ 52,110	$ 42,525
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	12.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
$ 225,514	$ 190,198	$ 211,154	$ 173,157	$ 186,715	$ 159,271
(225,514)	(190,198)	(211,154)	(173,157)	(186,715)	(159,271)
$ -	$ -	$ -	$ -	$ -	$ -
$ 1,879,283	$ 1,584,983	$ 1,624,262	$ 1,731,570	$ 1,867,150	$ 1,785,549
12.00%	12.00%	13.00%	10.00%	10.00%	8.92%
$ 6,005	$ 6,326	$ 6,798	$ 6,755	$ 7,292	$ 9,272
(6,005)	(6,326)	(6,798)	(6,755)	(7,292)	(9,272)
$ -	$ -	$ -	$ -	$ -	$ -
$ 50,042	$ 52,717	$ 52,292	$ 84,969	$ 91,723	$ 95,686
12.00%	12.00%	13.00%	7.95%	7.95%	9.69%
$ 7,031					
(7,031)					
$ -					
$ 58,592					
12.00%					

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY PENSION CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	2019	2018	2017	2016
Police:				
Contractually required contribution	$ 172,489	$ 158,298	$ 115,121	$ 138,941
Contributions in relation to the contractually required contribution	(172,489)	(158,298)	(115,121)	(138,941)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 907,837	$ 833,147	$ 605,900	$ 731,268
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	2015	2014	2013	2012	2011	2010
	$ 166,488	$ 145,805	$ 109,296	$ 88,047	$ 101,196	$ 101,517
	(166,488)	(145,805)	(109,296)	(88,047)	(101,196)	(101,517)
	$ -	$ -	$ -	$ -	$ -	$ -
	$ 876,253	$ 767,395	$ 688,118	$ 690,565	$ 793,694	$ 796,212
	19.00%	19.00%	15.88%	12.75%	12.75%	12.75%

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET OPEB LIABILITY
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST THREE YEARS

	2019	2018	2017
City's proportion of the net OPEB liability	0.012431%	0.012380%	0.013036%
City's proportionate share of the net OPEB liability	$ 1,620,709	$ 1,344,377	$ 1,316,664
City's covered payroll	$ 1,805,383	$ 1,759,133	$ 1,673,699
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	89.77%	76.42%	78.67%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	54.05%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal 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 HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF
THE NET PENSION LIABILITY
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST THREE YEARS

	2019	2018	2017
City's proportion of the net OPEB liability	0.03233600%	0.03312200%	0.03439500%
City's proportionate share of the net OPEB liability	$ 294,469	$ 1,876,629	$ 1,632,653
City's covered payroll	$ 833,147	$ 605,900	$ 731,268
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	35.34%	309.73%	223.26%
Plan fiduciary net position as a percentage of the total OPEB liability	46.57%	14.13%	15.96%

Note: Information prior to 2017 was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

Amounts presented for each fiscal 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 HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

LAST TEN YEARS

	2019	2018	2017	2016
Contractually required contribution	$ 2,448	$ 2,256	$ 19,154	$ 34,817
Contributions in relation to the contractually required contribution	(2,448)	(2,256)	(19,154)	(34,817)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 1,782,754	$ 1,805,383	$ 1,759,133	$ 1,662,508
Contributions as a percentage of covered payroll	0.14%	0.12%	1.09%	2.09%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
$ 38,587	$ 33,077	$ 16,758	$ 74,398	$ 80,229	$ 94,928
(38,587)	(33,077)	(16,758)	(74,398)	(80,229)	(94,928)
$ -	$ -	$ -	$ -	$ -	$ -
$ 1,987,917	$ 1,637,700	$ 1,676,554	$ 1,816,539	$ 1,958,873	$ 1,881,235
1.94%	2.02%	1.00%	4.10%	4.10%	5.05%

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY OPEB CONTRIBUTIONS
OHIO POLICE AND FIRE (OP&F) PENSION FUND

LAST TEN YEARS

	2019	2018	2017	2016
Police:				
Contractually required contribution	$ 4,539	$ 4,166	$ 3,029	$ 3,656
Contributions in relation to the contractually required contribution	(4,539)	(4,166)	(3,029)	(3,656)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City's covered payroll	$ 907,837	$ 833,147	$ 605,900	$ 731,268
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2015	2014	2013	2012	2011	2010
$ 4,500	$ 3,330	$ 24,557	$ 46,613	$ 53,574	$ 53,744
(4,500)	(3,330)	(24,557)	(46,613)	(53,574)	(53,744)
$ -	$ -	$ -	$ -	$ -	$ -
$ 876,253	$ 767,395	$ 688,118	$ 690,565	$ 793,694	$ 796,212
0.50%	0.50%	3.62%	6.75%	6.75%	6.75%

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019 the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2018.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following were the most significant changes of assumptions that affected the total pension since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumtions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple. There were no changes in assumptions for 2019.

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2019.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25%, ultimate in 2029.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018. For 2019, OP&F changed its retiree health care model from a self-insured health care plan to a stipend-based health care model.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reducted from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.24% up to 4.66%.

OHIO AUDITOR OF STATE
KEITH FABER

101 Central Plaza South
700 Chase Tower
Canton, Ohio 44702-1509
(330) 438-0617 or (800) 443-9272
EastRegion@ohioauditor.gov

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

City of Hubbard
Trumbull County
PO Box 307
220 West Liberty St.
Hubbard, Ohio 44425

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hubbard, Trumbull County, (the City) as of and for the year ended December 31, 2019, 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 14, 2020, wherein we referred to the financial impact of COVID-19 and the ensuing emergency measures that will impact subsequent periods.

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 opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2019-001 to be a material weakness.

Compliance and Other Matters

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

City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not subject the City's response to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State

Columbus, Ohio

July 14, 2020

SCHEDULE OF FINDINGS
DECEMBER 31, 2019

1. **Net Investment in Capital Assets Misposting**

FINDING NUMBER 2019-001

MATERIAL WEAKNESS

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

The City's net investment in capital assets (Governmental Activities) incorrectly added debt liabilities to the balance rather than properly subtracting them. Therefore, net investment in capital assets was overstated by $790,172 and should be reported as $3,302,721, instead of $4,092,893. In addition, the error also affects unrestricted net position. The proper amount should be ($380,167) instead of ($1,170,339). The financial statements have been adjusted for this error.

The City did not have adequate controls in place to help prevent or detect this error.

The City should review the basic financial statements and GAAP compilation to help ensure all amounts are properly classified and recorded.

Official's Response: The City will work with their GAAP conversion contractor to correct this.

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OHIO AUDITOR OF STATE
KEITH FABER

CITY OF HUBBARD

TRUMBULL COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 8/18/2020

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov