City of Hudson, Ohio

Basic Financial Statements
For the Year Ended December 31, 2019

OHIO AUDITOR OF STATE
KEITH FABER

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City Council
City of Hudson
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We have reviewed the *Independent Auditor's Report* of the City of Hudson, Summit County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

August 4, 2020

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Independent Auditor's Report

To the Members of the City Council
City of Hudson, Ohio

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 Hudson, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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To the Members of the City Council
City of Hudson, Ohio

Opinions

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

Emphasis of Matter

Implementation of New Accounting Standard

As described in Note 3 to the basic financial statements, in 2019, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities,* and as a result restated their December 31, 2018 net position of the governmental activities and fiduciary funds, and fund balance of the General Fund. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

Ciuni + Panichi, Inc.

Cleveland, Ohio
June 29, 2020

The discussion and analysis of the City of Hudson, Ohio'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; along with the review of the basic financial statements for the reader to enhance their understanding of the City's financial performance.

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.

The Statement of Net Position and Statement of Activities (referred collectively as the government-wide statements) provide information about the activities of the entire City and present a longer-term view of the City's finances. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. The proprietary funds' statements are prepared on the same basis as the government-wide statements. The remaining statements provide financial information about activities for which the City acts solely as a trustee or custodian for the benefit of those outside of the government.

Reporting the City of Hudson as a Whole

Statement of Net Position and the Statement of Activities

These government-wide statements answer the question, "How did the City as a whole do financially during 2019?" They are prepared on the accrual basis of accounting, including all assets and deferred outflows of resources and liabilities and deferred inflows of resources, much the same way as for a private enterprise. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in net position. This is important, as it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, nonfinancial information such as changes in the tax base will also need to be evaluated.

- *The Statement of Net Position.* This Statement (page 15) reports all assets and deferred outflows of resources and liabilities and deferred inflows of resources of the City as of December 31, 2019. The difference between all elements is reported as net position. Increases in net position generally indicate an improvement in financial position while decreases may indicate a deterioration of financial position.

- *The Statement of Activities.* This Statement (page 16) reports the results of all activities of the City for the year ended December 31, 2019. Changes in net position are recorded in the period in which the underlying event takes place, which may differ from the period in which cash is received or disbursed. The Statement of Activities displays the expense of the City's various programs net of related revenues, as well as the separate presentation of revenues available for general purposes.

- In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

    - ***Governmental activities:*** The reporting of services including public safety, administration and all departments, with the exception of the Water Fund, Wastewater Fund, Electric Fund, Storm Sewer Fund, Broadband Fund and Golf Course Fund, which are reported as business-type activities.

    - ***Business-type activities:*** The City reports the activity of services (Water, Wastewater, Electric, Storm Sewer, Broadband and Golf Course) where the City charges the user fees to recover the cost of providing the service as well as all capital expenses associated with the facilities.

Reporting the City of Hudson's Most Significant Funds

Fund Financial Statements

These statements provide financial position and results of the City's major funds. A fund is an accounting entity created to account for a specific activity or purpose. The creation of some funds is mandated by law and others are created by management to demonstrate financial compliance with budgetary or legal requirements. Funds are classified into three broad categories: governmental funds, proprietary funds, and fiduciary funds.

- ***Governmental Funds.*** Governmental funds are used to account for "Government-Type" activities. Unlike the government-wide financial statements, governmental fund statements use a "flow of financial resources" measurement focus. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Increases in spendable resources are reported in the operating statement as "Revenues" or "Other Financing Sources". Decreases in spendable resources are reported as "Expenditures" or "Other Financing Uses". Income taxes, property taxes, charges for services and grants finance most of these activities.

- ***Proprietary Funds.*** There are two types of proprietary funds: enterprise funds and internal service funds.

    <u>Enterprise Funds</u> – Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises for which either 1) the intent is that the costs (expenses, including depreciation) be recovered primarily through user charges, or 2) determination of net income is appropriate for management control, accountability or other purposes.

    The City of Hudson's Water Fund, Electric Fund, and Storm Sewer Fund are all considered to be major funds and are displayed separately in the proprietary fund statements on pages 28 through 35.

Internal Service Funds – Often, governments wish to allocate the cost of providing certain centralized services (e.g., motor pools, garages, data processing) to the other departments of the government entity that use the services. An internal service fund is the appropriate accounting mechanism when it is the intent of the government to recover the full cost of providing the service through user charges to other departments.

The Equipment and Reserve and Fleet Maintenance Fund, Self-Insurance Fund, and Medical Self-Insurance Fund are the City of Hudson's internal service funds.

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

  Fiduciary Fund statements are displayed on pages 36 through 37 of this report.

Notes to the Financial Statements

The notes provide additional and explanatory data. They are an integral part of the basic financial statements.

The City of Hudson as a Whole

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. In the case of the City of Hudson, assets and deferred outflows exceed liabilities and deferred inflows by $88,548,345 in governmental activities and $30,159,319 in business-type activities as of December 31, 2019. The largest portion of net position reflects the City's investment in capital assets (i.e.; land, buildings, equipment and machinery, infrastructure), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Table 1 provides a summary of the City's net position for 2019 compared to 2018 balances.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current assets	$ 36,357,591	$ 34,389,241	$ 20,976,136	$ 19,237,504	$ 57,333,727	$ 53,626,745
Investment in joint venture	-	-	170,011	170,011	170,011	170,011
Capital assets, net	113,135,914	114,260,434	32,590,274	29,366,624	145,726,188	143,627,058
Net pension asset	92,622	121,626	49,875	62,851	142,497	184,477
Total assets	149,586,127	148,771,301	53,786,296	48,836,990	203,372,423	197,608,291
Deferred outflows of resources:						
Deferred changes on refunding	158,658	253,031	642,816	695,198	801,474	948,229
Pension	6,349,998	3,237,200	2,318,824	1,213,198	8,668,822	4,450,398
OPEB	1,279,470	1,365,736	327,238	294,270	1,606,708	1,660,006
Total deferred outflows of resources	7,788,126	4,855,967	3,288,878	2,202,666	11,077,004	7,058,633
Liabilities:						
Current and other liabilities	12,485,981	10,551,636	5,113,086	2,552,819	17,599,067	13,104,455
Long-term liabilities:						
Due within one year	3,277,216	3,936,687	1,290,432	1,370,757	4,567,648	5,307,444
Due in more than one year	18,854,172	20,971,616	9,227,081	9,812,790	28,081,253	30,784,406
Net pension liability	21,386,422	14,498,047	7,495,896	4,307,581	28,882,318	18,805,628
Net OPEB liability	7,560,837	11,587,530	3,622,750	3,048,225	11,183,587	14,635,755
Total liabilities	63,564,628	61,545,516	26,749,245	21,092,172	90,313,873	82,637,688
Deferred inflows of resources:						
Property taxes	3,287,105	3,907,224	-	-	3,287,105	3,907,224
Pension	1,100,479	2,471,404	131,779	1,040,153	1,232,258	3,511,557
OPEB	873,696	505,553	34,831	227,072	908,527	732,625
Total deferred inflows of resources	5,261,280	6,884,181	166,610	1,267,225	5,427,890	8,151,406
Net position:						
Net investment in capital assets	88,808,926	91,446,980	22,520,380	21,292,746	111,329,306	112,739,726
Restricted	2,403,354	1,306,227	-	-	2,403,354	1,306,227
Unrestricted	(2,663,935)	(7,555,636)	7,638,939	7,387,513	4,975,004	(168,123)
Total net position	$ 88,548,345	$ 85,197,571	$ 30,159,319	$ 28,680,259	$ 118,707,664	$ 113,877,830

The City follows Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27* and GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to pensions and other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension/OPEB, the net pension/OPEB liability to the reported net position and subtracting deferred outflows related to pension/OPEB and the net pension asset.

GASB 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/OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension/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/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/OPEB. 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 liability. In Ohio, the employee shares the obligation of funding 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/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/OPEB liability. As explained above, changes in pension 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/OPEB liability is 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 the accrual basis of accounting include an annual pension/OPEB expense for their proportionate share of each plan's change in net pension/OPEB liability and net pension asset not accounted for as deferred inflows/outflows.

An additional portion of the City's net position (2%) represents resources that are subject to external restrictions on how they may be used. At the end of the current year, the City is able to report a positive balance for the government as a whole.

For governmental activities, there was an increase of $1,968,350 in current assets. This was primarily due to an increase in municipal income tax receivable. Capital assets decreased $1,124,520 as deprecation exceeded new additions. For governmental activities, the primary reason for the $2,932,159 increase in deferred outflows of resources was due to the effects of GASB 68.

For governmental activities, there was a $1,934,345 increase in current liabilities. This was primarily due to an increase of $1,146,675 in notes payable. For long-term liabilities, there was an increase of $6,888,375 in net pension liabilities, due to changes in assumptions related to OPERS. This increase was offset by a $4,026,693 decrease in net OPEB liabilities, which was due to changes in OP&F benefit terms, as well as a $2,117,444 decrease in due in more than one year. Deferred inflows decreased $1,622,901 primarily due to the effects of GASB 68.

For governmental activities, net investment in capital assets decreased $2,638,054. The restricted net position increased $1,097,127 in 2019 compared to 2018. The net result of the changes in net position was an increase of $3,317,143 in restated net position.

Within the business-type activities, total assets increased $4,949,306 primarily due to an increase in capital assets and equity in pooled cash and cash equivalents. Deferred outflows of resources for business-type activities increased $1,086,212 as a result of GASB 68. Long-term liabilities increased $3,096,806 primarily due to an increase in net pension liability, (up $3,188,315). Deferred inflows decreased $1,100,615 primarily due to the effects of GASB 68. Net investment in capital assets increased $1,227,634. The balance of the unrestricted net position stayed consistent year-over-year as it only increased 3% to $7,638,939.

Table 2 below, indicates the changes in net position for the years ended December 31, 2019 and 2018.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Program Revenues:						
Charges for services and sales	$ 1,874,268	$ 1,751,925	$ 24,870,397	$ 25,127,863	$ 26,744,665	$ 26,879,788
Operating grants and contributions	1,529,620	1,244,028	-	1,972	1,529,620	1,246,000
Capital grants and contributions	788,696	37,089	4,500	-	793,196	37,089
General Revenues:						
Taxes	29,310,874	26,990,349	-	-	29,310,874	26,990,349
Grants and entitlements not restricted to specific programs	2,129,884	2,188,985	-	-	2,129,884	2,188,985
Investment income	1,650,928	317,166	-	-	1,650,928	317,166
Other/gain on sale of assets	890,291	266,409	37,683	14,510	927,974	280,919
Total revenues	38,174,561	32,795,951	24,912,580	25,144,345	63,087,141	57,940,296
Program Expenses:						
General government	9,412,206	8,213,900	-	-	9,412,206	8,213,900
Security of persons and property	5,495,330	8,929,661	-	-	5,495,330	8,929,661
Public health	1,137,266	1,074,423	-	-	1,137,266	1,074,423
Leisure time services	2,467,004	1,778,302	-	-	2,467,004	1,778,302
Community and economic development	1,880,346	1,363,145	-	-	1,880,346	1,363,145
Transportation	9,130,209	7,368,837	-	-	9,130,209	7,368,837
Interest and fiscal charges	865,869	909,993	-	-	865,869	909,993
Water System	-	-	1,827,602	1,729,840	1,827,602	1,729,840
Golf Course	-	-	1,631,360	1,371,205	1,631,360	1,371,205
Electric System	-	-	20,855,317	21,241,109	20,855,317	21,241,109
Storm Sewer System	-	-	1,587,796	1,365,166	1,587,796	1,365,166
Broadband	-	-	620,936	-	620,936	-
Wastewater System	-	-	6,511	10,936	6,511	10,936
Total program expenses	30,388,230	29,638,261	26,529,522	25,718,256	56,917,752	55,356,517
Transfers	(3,096,002)	(2,152,658)	3,096,002	2,152,658	-	-
Change in net position before special item	4,690,329	1,005,032	1,479,060	1,578,747	6,169,389	2,583,779
Special item – construction of bus garage for Hudson City School District	(1,373,186)	(2,615,726)	-	-	(1,373,186)	(2,615,726)
Change in net position	3,317,143	(1,610,694)	1,479,060	1,578,747	4,796,203	(31,947)
Net position, beginning of the year	85,197,571	86,808,265	28,680,259	27,101,512	113,877,830	113,909,777
Cumulative effect of GASB 84	33,631	-	-	-	33,631	-
Net position, beginning of the year, restated	85,231,202	86,808,265	28,680,259	27,101,512	113,911,461	113,909,777
Net position, end of the year	$ 88,548,345	$ 85,197,571	$ 30,159,319	$ 28,680,259	$ 118,707,664	$ 113,877,830

For the year ended December 31, 2019, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. The implementation of this statement resulted in the restatement of net position and fund balances as of December 31, 2018 for governmental activities, governmental funds and custodial funds. See Note 3 for additional information regarding the restatement.

Governmental Activities

The City's income tax is the largest contributor of revenue sources in governmental activities accounting for 67% of total revenues. Property and other local taxes generate 10% and grants and entitlements generate 6% of total revenues.

General government, security of persons and property, and transportation costs represent 31%, 18%, and 30% of governmental expenses, excluding transfers and special item, respectively. In 2018, the City entered into an agreement to build a new bus garage for Hudson City School District. For 2019, the City had incurred $1,373,186 related to this project and is shown as a special item throughout the financial statements.

Governmental activities increased the City's net position by $3,317,143. Total revenues increased $5,378,610 primarily due to an increase in taxes. Expenses remained relatively consistent with an increase of 3% from the prior year. Security of persons and property expense decreased $3,434,331 mainly due to changes in OP&F benefit terms. This decrease was offset by increases in transportation and general government expenses.

Business-Type Activities

The City's business-type activities are the Water, Golf Course, Electric, Storm Sewer, Broadband and Wastewater Funds. Charges for services generated 89% of all revenues and transfers in the business-type activities.

Business-type activities increased the City's net position by $1,479,060. Charges for services and sales decreased $257,466 and expenses increased $811,266 due primarily to broadband expenses.

Individual Funds Summary and Analysis

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

Governmental Funds

The focus of the City's governmental funds is to provide information on near term outflows, inflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $15,601,903, a decrease of $238,710 in comparison with the prior year.

Approximately 5% of this total amount, or $838,736, which represents the *assigned* and *unassigned* classifications, is available for spending at the government's discretion. The remainder of fund balance, *nonspendable, restricted,* and *committed*, is reserved to indicate that it is not readily available for new spending since it has already been committed to liquidate contracts and purchase commitments, to pay debt service or for a variety of other restricted purposes.

The General Fund is the primary operating fund of the City. At the end of the current year, the General Fund's unassigned balance was $12,579,529, while the total fund balance was $15,090,599. The fund balance for the General Fund increased by $2,063,795, the prior year due to an increase in income tax.

The other major governmental funds of the City are the Street Construction, Broadband Capital and Downton Phase II Funds.

The fund balance for the Street Construction Fund increased $778,222 due to an increase in intergovernmental revenues and transfers in.

The fund balance of the Broadband Capital Fund decreased $519,991. The decrease is due to the City continuing to use interfund loans to fund capital projects.

The fund balance of the Downtown Phase II Fund decreased $2,195,957. The decrease is due to funds from the issuance of notes being utilized for capital projects.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide and business-type activity financial statements, but in more detail. Net position in the Broadband Fund is responsible for the majority of the increase noted in the proprietary funds. The Broadband Fund's net position increased $1,510,577 due to the City contributing capital assets from the governmental activities to the Broadband Fund for operations.

Budgetary Highlights

As required by State statute, City Council (Council) adopts an annual appropriation (budget) resolution for all City funds.

In the General Fund, the final budgeted revenues and other financings sources as compared to the original budgeted revenue increased by $1,513,628. The increase was primarily in municipal income tax due to higher than expected collections.

Actual General Fund expenditures and other financing uses compared to the budget were less than expected by $771,771. The security of persons and property activity accounted for most of that decrease as the actual expenditures were less than the final budget amount by $358,286.

Capital Assets and Debt Administration

Capital Assets

The City's net book value of capital assets for its governmental and business-type activities as of December 31, 2019, amounts to $145,726,188. This investment in capital assets includes land; buildings; land improvements; vehicles; furniture, fixtures and equipment; infrastructure; and construction in progress. Table 3 shows fiscal 2019 balances of capital assets as compared to the 2018 balances:

Table 3
Capital Assets at December 31

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	$ 15,680,184	$ 15,680,184	$ 2,332,463	$ 2,332,463	$ 18,012,647	$ 18,012,647
Construction in progress	2,894,299	7,506,229	2,539,581	1,443,167	5,433,880	8,949,396
Buildings	16,135,364	13,510,415	5,697,204	5,697,204	21,832,568	19,207,619
Land improvements	5,418,355	5,418,355	2,254,010	2,254,010	7,672,365	7,672,365
Vehicles	8,214,065	7,950,114	1,279,106	1,328,447	9,493,171	9,278,561
Equipment, furniture and fixtures	5,634,112	5,134,912	4,172,822	4,109,954	9,806,934	9,244,866
Infrastructure:						
Roads	156,193,829	147,884,370	-	-	156,193,829	147,884,370
Sidewalks	3,759,521	3,759,521	-	-	3,759,521	3,759,521
Traffic signals	2,971,911	2,971,911	-	-	2,971,911	2,971,911
Broadband	-	1,700,201	1,893,430	-	1,893,430	1,700,201
Water main lines	-	-	16,966,891	16,047,832	16,966,891	16,047,832
Storm water lines	-	-	5,158,797	5,041,601	5,158,797	5,041,601
Electric	-	-	12,023,466	11,414,936	12,023,466	11,414,936
Less: accumulated depreciation	(103,765,726)	(97,255,778)	(21,727,496)	(20,302,990)	(125,493,222)	(117,558,768)
Total capital assets, net	$ 113,135,914	$ 114,260,434	$ 32,590,274	$ 29,366,624	$ 145,726,188	$ 143,627,058

Additional detailed information relating to the City's capital assets is contained in Note 11 of the notes to the basic financial statements.

Debt

At December 31, 2019, the City had $28,883,568 of long-term bonds, premium on those bonds, loans and other outstanding obligations, excluding AMP Ohio payable, capital leases, compensated absences, and net pension/OPEB liability. Details of the individual obligations can be found in Note 14.

The general obligation indebtedness of the City is subject to two statutory debt limitations referred to as the direct debt limitation: (Section 133.05 of the Ohio Revised Code). Certain debt, with a repayment source other than general tax revenue, is excluded from the definition of net indebtedness. Under that definition, the City has $28,348,789 of net indebtedness as of December 31, 2019. The aggregate principal amount of unvoted net indebtedness may not exceed 5.5% of the assessed valuation for property tax purposes of all real and personal property located within the City. The legal unvoted debt margin was $27,438,846 as of December 31, 2019. The total principal amount of voted and unvoted nonexempt net indebtedness of the City may not exceed 10.5% of its assessed value of real and personal property. Total net indebtedness for both voted and unvoted issues was $28,039,836 leaving the City's overall legal debt margin at $77,874,011 as of December 31, 2019.

Future Funding Considerations

Effective August 17, 2011, Standard & Poor's upgraded the City's rating to AAA. Additionally, the City maintained its bond rating of Aaa from Moody's Investors Service.

During 2019, the City completed its 2020-2024 Five Year Financial Plan that includes operating and capital cost projections for the City's operating funds. The plan identifies numerous capital expenditures including the reconstruction/resurfacing of streets, replacing various safety forces vehicles and equipment, along with several storm sewer and electric system capital improvements.

Contacting the City Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with an overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City's Finance Department at 330-650-1799 or at 1140 Terex Road, Hudson, Ohio 44236. Electronic copies of the City's 2020-2024 Five Year Financial Plan are available at the City's website – http://www.hudson.oh.us.

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City of Hudson, Ohio

Statement of Net Position

December 31, 2019

	Governmental Activities	Business-Type Activities	Total
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	$ 21,768,484	$ 15,114,699	$ 36,883,183
Investment in common stock	30,110	-	30,110
Investments in segregated accounts	2,987	-	2,987
Accounts receivable	239,414	3,501,961	3,741,375
Accrued interest receivable	93,194	-	93,194
Intergovernmental receivable	1,226,161	1,574,828	2,800,989
Property taxes receivable	3,343,997	-	3,343,997
Municipal income taxes receivable	6,947,178	-	6,947,178
Special assessments receivable	4,385	5,484	9,869
Internal balances	886,692	(886,692)	-
Materials and supplies inventory	795,356	1,154,624	1,949,980
Prepaid expenses	88,227	37,928	126,155
Restricted assets:			
Restricted cash and cash equivalents	931,406	-	931,406
Cash in segregated accounts – customer deposits	-	473,304	473,304
Noncurrent assets:			
Investment in joint venture	-	170,011	170,011
Nondepreciable capital assets	18,574,483	4,872,044	23,446,527
Depreciable capital assets, net	94,561,431	27,718,230	122,279,661
Net pension asset	92,622	49,875	142,497
Total assets	149,586,127	53,786,296	203,372,423
Deferred outflows of resources:			
Deferred charges on refunding	158,658	642,816	801,474
Pension, adjusted for internal proportional share	6,349,998	2,318,824	8,668,822
OPEB, adjusted for internal proportional share	1,279,470	327,238	1,606,708
Total deferred outflows of resources	7,788,126	3,288,878	11,077,004
Liabilities:			
Current liabilities:			
Accounts payable	1,010,489	1,599,131	2,609,620
Accrued wages and benefits	562,187	207,188	769,375
Intergovernmental payable	476,510	89,703	566,213
Accrued interest payable	45,161	21,425	66,586
Payable from restricted assets – customer deposits	-	473,304	473,304
Retainage payable	115,958	153,963	269,921
Notes payable	8,737,500	2,568,372	11,305,872
Unearned revenues	621,771	-	621,771
Payable from restricted assets – cash held for others	916,405	-	916,405
Long-term liabilities:			
Due within one year	3,277,216	1,290,432	4,567,648
Due in more than one year:			
Other amounts due in more than one year	18,854,172	9,227,081	28,081,253
Net pension liability	21,386,422	7,495,896	28,882,318
Net OPEB liability	7,560,837	3,622,750	11,183,587
Total liabilities	63,564,628	26,749,245	90,313,873
Deferred inflows of resources:			
Property taxes	3,287,105	-	3,287,105
Pension, adjusted for internal proportional share	1,100,479	131,779	1,232,258
OPEB, adjusted for internal proportional share	873,696	34,831	908,527
Total deferred inflows of resources	5,261,280	166,610	5,427,890
Net position:			
Net investment in capital assets	88,808,926	22,520,380	111,329,306
Restricted for:			
Capital projects	269,624	-	269,624
Debt service	308,953	-	308,953
Street improvements	1,576,386	-	1,576,386
Permanent fund	6,473	-	6,473
Other purposes	241,918	-	241,918
Unrestricted	(2,663,935)	7,638,939	4,975,004
Total net position	$ 88,548,345	$ 30,159,319	$ 118,707,664

The accompanying notes are an integral part of the financial statements.

City of Hudson, Ohio

Statement of Activities

For the Year Ended December 31, 2019

	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental activities:				
General government	$ 9,412,206	$ 416,019	$ 10,000	$ 433,413
Security of persons and property	5,495,330	641,221	8,822	43,300
Public health	1,137,266	69,191	1,000	-
Leisure time services	2,467,004	21,945	-	52,500
Community and economic development	1,880,346	722,052	-	-
Transportation	9,130,209	3,840	1,509,798	259,483
Interest and fiscal charges	865,869	-	-	-
Total governmental activities	30,388,230	1,874,268	1,529,620	788,696
Business-type activities:				
Water System	1,827,602	2,164,570	-	-
Golf Course	1,631,360	1,470,320	-	-
Electric System	20,855,317	20,482,113	-	-
Storm Sewer System	1,587,796	59,362	-	4,500
Broadband	620,936	684,179	-	-
Wastewater System	6,511	9,853	-	-
Total business-type activities	26,529,522	24,870,397	-	4,500
Totals	$ 56,917,752	$ 26,744,665	$ 1,529,620	$ 793,196

General revenues:
- Property and other local taxes
- Municipal income tax
- Grants and entitlements not restricted to specific programs
- Investment income
- Other
- Gain on sale of assets
  - Total general revenues

Transfers
- Total general revenues and transfers

Change in net position before special item

Special item – construction of bus garage for Hudson City School District

Change in net position

Net position, beginning of year, restated (see Note 3)

Net position, end of year

The accompanying notes are an integral part of the financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
$ (8,552,774)	$ -	$ (8,552,774)
(4,801,987)	-	(4,801,987)
(1,067,075)	-	(1,067,075)
(2,392,559)	-	(2,392,559)
(1,158,294)	-	(1,158,294)
(7,357,088)	-	(7,357,088)
(865,869)	-	(865,869)
(26,195,646)	-	(26,195,646)
-	336,968	336,968
-	(161,040)	(161,040)
-	(373,204)	(373,204)
-	(1,523,934)	(1,523,934)
-	63,243	63,243
-	3,342	3,342
-	(1,654,625)	(1,654,625)
(26,195,646)	(1,654,625)	(27,850,271)
3,829,715	-	3,829,715
25,481,159	-	25,481,159
2,129,884	-	2,129,884
1,650,928	-	1,650,928
806,877	-	806,877
83,414	37,683	121,097
33,981,977	37,683	34,019,660
(3,096,002)	3,096,002	-
30,885,975	3,133,685	34,019,660
4,690,329	1,479,060	6,169,389
(1,373,186)	-	(1,373,186)
3,317,143	1,479,060	4,796,203
85,231,202	28,680,259	113,911,461
$ 88,548,345	$ 30,159,319	$ 118,707,664

City of Hudson, Ohio

Balance Sheet
Governmental Funds

December 31, 2019

	General Fund	Street Construction Fund	Broadband Capital Fund
Assets:			
Current assets:			
Equity in pooled cash and cash equivalents	$ 6,169,057	$ 704,140	$ 519,918
Investment in common stock	-	-	-
Investments in segregated accounts	-	-	-
Accounts receivable	-	-	-
Accrued interest receivable	77,286	-	1,062
Interfund receivable	4,679,416	-	-
Special assessment receivable	4,385	-	-
Intergovernmental receivable	394,712	658,660	-
Property taxes receivable	2,894,725	-	-
Municipal income taxes receivable	5,494,417	-	-
Materials and supplies inventory	27,060	458,390	-
Prepaid expenses	50,154	13,699	-
Restricted assets:			
Restricted cash and cash equivalents	23,064	-	-
Noncurrent assets:			
Advances to other funds	1,669,278	-	-
Total assets	$ 21,483,554	$ 1,834,889	$ 520,980
Liabilities, deferred inflows of resources, and fund balances:			
Liabilities:			
Current liabilities:			
Accounts payable	$ 388,397	$ 13,961	$ 13,810
Accrued wages and benefits	381,001	42,192	-
Accrued interest payable	-	-	-
Intergovernmental payable	396,785	24,610	-
Interfund payable	8,978	57,033	3,884,808
Retainage payable	12,701	-	-
Notes payable	-	-	-
Unearned revenues	-	-	-
Payable from restricted assets – cash held for others	22,591	-	-
Noncurrent liabilities:			
Advances from other funds	-	-	-
Total liabilities	1,210,453	137,796	3,898,618
Deferred inflows of resources:			
Property taxes	2,854,367	-	-
Unavailable revenue	2,328,135	423,687	708
Total deferred inflows of resources	5,182,502	423,687	708
Fund balances:			
Nonspendable	1,746,492	472,089	-
Restricted	-	801,317	-
Committed	-	-	-
Assigned	764,578	-	-
Unassigned	12,579,529	-	(3,378,346)
Total fund balances (deficit)	15,090,599	1,273,406	(3,378,346)
Total liabilities, deferred inflows of resources, and fund balances	$ 21,483,554	$ 1,834,889	$ 520,980

The accompanying notes are an integral part of the financial statements.

	Downtown Phase II Fund	Nonmajor Governmental Funds	Total Governmental Funds
	$ 844,845	$ 12,382,441	$ 20,620,401
	-	30,110	30,110
	-	2,987	2,987
	-	239,414	239,414
	2,209	12,637	93,194
	-	-	4,679,416
	-	-	4,385
	-	172,789	1,226,161
	-	449,272	3,343,997
	-	1,452,761	6,947,178
	-	48,392	533,842
	-	20,189	84,042
	-	908,342	931,406
	-	-	1,669,278
	$ 847,054	$ 15,719,334	$ 40,405,811
	$ 24,030	$ 522,467	$ 962,665
	-	128,107	551,300
	5,503	677	6,180
	-	49,497	470,892
	740,426	3,656	4,694,901
	-	103,257	115,958
	7,780,656	956,844	8,737,500
	-	621,771	621,771
	-	893,814	916,405
	615,000	231,000	846,000
	9,165,615	3,511,090	17,923,572
	-	432,738	3,287,105
	1,473	839,228	3,593,231
	1,473	1,271,966	6,880,336
	-	75,054	2,293,635
	-	933,083	1,734,400
	-	10,735,132	10,735,132
	-	-	764,578
	(8,320,034)	(806,991)	74,158
	(8,320,034)	10,936,278	15,601,903
	$ 847,054	$ 15,719,334	$ 40,405,811

City of Hudson, Ohio

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

December 31, 2019

Total governmental funds balances		$ 15,601,903
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		111,095,704
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows of resources in the funds:		
Property and other taxes	$ 56,892	
Municipal income taxes	2,427,270	
Special assessments	4,385	
Charges for services	162,417	
Interest	62,146	
Intergovernmental	880,121	
Total		3,593,231
In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(38,981)
Internal service funds are used by management to charge the costs of centralized services, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.		2,951,585
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	(19,673,789)	
Ohio Public Works Commission loan	(75,447)	
Deferred charges on refunding	158,658	
Capital lease	(233,096)	
Compensated absences	(2,108,560)	
Total		(21,932,234)
The net pension asset/liability is not due in the current period; therefore, the asset/liability and related deferred outflows/inflows are not reported in governmental funds:		
Net pension asset	89,914	
Deferred outflows	6,226,734	
Net pension liability	(20,979,503)	
Deferred inflows	(1,088,710)	
Total		(15,751,565)

(Continued)

The accompanying notes are an integral part of the financial statements.

City of Hudson, Ohio

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities (continued)

December 31, 2019

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

Deferred outflows	1,261,651	
Net OPEB liability	(7,364,173)	
Deferred inflows	(868,776)	
Total		(6,971,298)
Net position of governmental activities		$ 88,548,345

The accompanying notes are an integral part of the financial statements.

City of Hudson, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

For the Year Ended December 31, 2019

	General Fund	Street Construction Fund	Broadband Capital Fund
Revenues:			
Property and other local taxes	$ 2,754,915	$ -	$ -
Municipal income tax	19,275,688	-	-
Intergovernmental	1,581,883	1,103,227	-
Charges for services	477,523	-	-
Fines and forfeitures	132,674	-	-
Special assessments	26,659	-	-
Interest	1,344,895	-	21,995
Other	434,822	60,398	-
Total revenues	26,029,059	1,163,625	21,995
Expenditures:			
Current:			
General government	6,504,172	-	75,510
Security of persons and property	4,502,541	-	-
Public health	859,535	-	-
Leisure time services	-	-	-
Community and economic development	1,197,721	-	-
Transportation	-	3,255,498	-
Capital outlay	492,694	265,548	394,221
Debt service:			
Principal retirement	-	66,831	-
Interest and fiscal charges	-	5,693	72,255
Total expenditures	13,556,663	3,593,570	541,986
Excess of revenues over (under) expenditures	12,472,396	(2,429,945)	(519,991)
Other financing sources (uses):			
Proceeds from sale of assets	14,954	31,355	-
Inception of capital lease	-	180,812	-
Transfers – in	-	2,996,000	-
Transfers – out	(10,423,555)	-	-
Total other financing sources (uses)	(10,408,601)	3,208,167	-
Net change in fund balances before special item	2,063,795	778,222	(519,991)
Special item – construction of bus garage for Hudson City School District	-	-	-
Net change in fund balance	2,063,795	778,222	(519,991)
Fund balance (deficit) at beginning of year, restated (see Note 3)	13,026,804	495,184	(2,858,355)
Fund balance (deficit) at end of year	$ 15,090,599	$ 1,273,406	$ (3,378,346)

The accompanying notes are an integral part of the financial statements.

Downtown Phase II Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 1,129,844	$ 3,884,759
-	5,211,697	24,487,385
383,413	931,677	4,000,200
-	1,021,000	1,498,523
-	535,046	667,720
-	185	26,844
27,313	239,237	1,633,440
-	315,497	810,717
410,726	9,384,183	37,009,588
1,001,179	2,699,773	10,280,634
-	3,137,541	7,640,082
-	251,021	1,110,556
-	1,229,400	1,229,400
-	533,585	1,731,306
-	62,700	3,318,198
63,557	4,235,338	5,451,358
-	2,127,186	2,194,017
168,761	1,259,441	1,506,150
1,233,497	15,535,985	34,461,701
(822,771)	(6,151,802)	2,547,887
-	8,136	54,445
-	-	180,812
-	6,127,555	9,123,555
-	(348,668)	(10,772,223)
-	5,787,023	(1,413,411)
(822,771)	(364,779)	1,134,476
(1,373,186)	-	(1,373,186)
(2,195,957)	(364,779)	(238,710)
(6,124,077)	11,301,057	15,840,613
$ (8,320,034)	$ 10,936,278	$ 15,601,903

City of Hudson, 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		$ (238,710)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays differ from depreciation in the current period:		
Capital outlay	$ 6,854,068	
Depreciation	(6,488,328)	
Capital distribution	(1,447,334)	
Total		(1,081,594)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds:		
Property and other taxes	(55,044)	
Municipal income taxes	993,774	
Special assessments	4,385	
Charges for services	16,574	
Interest	17,488	
Intergovernmental	(256,916)	
Total		720,261
Other financing sources in governmental funds that increase long-term liabilities in the Statement of Net Position:		
Capital lease		(180,812)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position:		
General obligation bonds	2,085,000	
Appreciation on capital appreciation bonds	700,000	
Special assessment bonds	35,000	
Capital lease	66,831	
Ohio Public Works Commission loan	7,186	
Total		2,894,017

(Continued)

City of Hudson, Ohio

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

For the Year Ended December 31, 2019

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Accretion on capital appreciation bonds	(57,310)	
Accrued interest on debt	8,054	
Amortization of loss on refunding	(94,373)	
Amortization of premiums	83,910	
Compensated absences	10,313	
Total		(49,406)
Internal service funds are used by management to charge costs of certain activities, such as insurance to individual funds. The change in net position of the Internal Service Fund is reported with governmental activities.		37,083
Contractually required contributions are reported as expenditures in governmental funds; however, the Statement of Net Position reports these amounts as deferred outflows:		
OPERS Traditional pension	953,716	
OPERS Combined pension	46,143	
OP&F pension	490,531	
OPERS OPEB	11,934	
OP&F OPEB	12,909	
Total		1,515,233
Except for amounts reported as deferred outflows/inflows, changes in the net pension liability are reported as pension/OPEB expense/contra expense in the Statement of Activities:		
OPERS Traditional pension	(2,954,525)	
OPERS Combined pension	(30,781)	
OP&F pension	(878,584)	
OPERS OPEB	(567,238)	
OP&F OPEB	4,132,199	
Total		(298,929)
Change in net position of governmental activities		$ 3,317,143

The accompanying notes are an integral part of the financial statements.

City of Hudson, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual General Fund

For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with final budget favorable
	Original	Final	Actual	(unfavorable)
Revenues:				
Property and other local taxes	$ 2,587,237	$ 2,754,915	$ 2,754,915	$ -
Municipal income tax	17,836,044	18,991,989	18,992,786	797
Intergovernmental	1,424,990	1,517,344	1,599,447	82,103
Charges for services	353,455	376,361	382,736	6,375
Fines and forfeitures	130,540	139,000	136,437	(2,563)
Special assessment	25,075	26,700	26,659	(41)
Interest	575,973	613,302	648,702	35,400
Other	407,632	434,050	434,584	534
Total revenues	23,340,946	24,853,661	24,976,266	122,605
Expenditures:				
Current:				
General government	6,977,804	6,584,652	6,297,394	287,258
Security of persons and property	4,875,044	4,878,539	4,520,253	358,286
Public health	883,358	895,358	879,645	15,713
Community and economic development	1,247,329	1,318,979	1,268,117	50,862
Capital outlay	838,925	1,231,803	1,172,151	59,652
Total expenditures	14,822,460	14,909,331	14,137,560	771,771
Excess of revenues over expenditures	8,518,486	9,944,330	10,838,706	894,376
Other financing (uses) sources:				
Proceeds from sale of assets	14,087	15,000	14,954	(46)
Transfers – out	(9,707,555)	(10,423,555)	(10,423,555)	-
Total other financing (uses) sources	(9,693,468)	(10,408,555)	(10,408,601)	(46)
Net change in fund balance	(1,174,982)	(464,225)	430,105	894,330
Fund balance at beginning of fiscal year, restated	8,392,288	8,392,288	8,392,288	-
Prior fiscal year encumbrances appropriated	590,388	590,388	590,388	-
Fund balance at end of fiscal year	$ 7,807,694	$ 8,518,451	$ 9,412,781	$ 894,330

The accompanying notes are an integral part of the financial statements.

City of Hudson, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual Street Construction Fund

For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with final budget favorable
	Original	Final	Actual	(unfavorable)
Revenues:				
Intergovernmental	$ 841,283	$ 1,020,000	$ 1,019,491	$ (509)
Other	31,260	37,900	38,136	236
Total revenues	872,543	1,057,900	1,057,627	(273)
Expenditures:				
Current:				
Transportation	3,412,246	4,060,077	3,770,979	289,098
Capital outlay	167,188	185,408	179,520	5,888
Total expenditures	3,579,434	4,245,485	3,950,499	294,986
Excess of revenues (under) expenditures	(2,706,891)	(3,187,585)	(2,892,872)	294,713
Other financing sources:				
Proceeds from sale of assets	26,393	32,000	31,355	(645)
Transfers – in	2,471,064	2,996,000	2,996,000	-
Total other financing sources	2,497,457	3,028,000	3,027,355	(645)
Net change in fund balance	(209,434)	(159,585)	134,483	294,068
Fund balance at beginning of fiscal year	402,574	402,574	402,574	-
Prior fiscal year encumbrances appropriated	72,690	72,690	72,690	-
Fund balance at end of fiscal year	$ 265,830	$ 315,679	$ 609,747	$ 294,068

The accompanying notes are an integral part of the financial statements.

City of Hudson, Ohio

Statement of Fund Net Position
Proprietary Funds

December 31, 2019

	Water	Electric
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	$ 2,741,889	$ 10,831,569
Accounts receivable	406,523	3,091,483
Intergovernmental receivable	766	-
Interfund receivable	-	-
Special assessments receivable	5,484	-
Materials and supplies inventory	252,886	836,227
Prepaid assets	5,146	22,312
Restricted assets:		
Cash in segregated accounts	-	473,304
Total current assets	3,412,694	15,254,895
Noncurrent assets:		
Investment in joint venture	-	170,011
Nondepreciable capital assets	2,316,333	481,839
Depreciable capital assets, net	8,917,248	11,754,938
Net pension asset	5,415	29,069
Total noncurrent assets	11,238,996	12,435,857
Total assets	14,651,690	27,690,752
Deferred outflows of resources:		
Deferred charges on refunding	188,881	88,871
Pension	252,433	1,365,933
OPEB	35,776	191,356
Total deferred outflows of resources	477,090	1,646,160
Liabilities:		
Current liabilities:		
Accounts payable	261,474	1,278,592
Accrued wages and benefits	25,067	120,809
Intergovernmental payable	8,903	49,322
Interfund payable	3,556	59,858
Accrued interest payable	11,359	2,296
Payable from restricted assets – customer deposits	-	473,304
AMP Ohio payable	-	4,920
Notes payable	2,568,372	-
Retainage payable	80,634	73,329
Compensated absences payable	60,853	394,470
General obligation bonds payable	206,000	175,000
Total current liabilities	3,226,218	2,631,900
Long-term liabilities (net of current portion):		
Advances from other funds	-	43,820
Compensated absences payable	116,728	580,721
General obligation bonds payable	3,676,383	1,041,692
Net pension liability	813,841	4,369,035
Net OPEB liability	393,328	2,111,545
Total long-term liabilities	5,000,280	8,146,813
Total liabilities	8,226,498	10,778,713
Deferred inflows of resources:		
Pension	35,612	130,675
OPEB	17,639	55,226
Total deferred inflows of resources	53,251	185,901
Net position:		
Net investment in capital assets	4,687,872	11,030,707
Unrestricted (deficit)	2,161,159	7,341,591
Total net position	$ 6,849,031	$ 18,372,298

The accompanying notes are an integral part of the financial statements.

Storm Sewer	Nonmajor - Funds	Totals	Governmental Activities – Internal Service Funds
$ 956,914	$ 584,327	$ 15,114,699	$ 1,148,083
-	3,955	3,501,961	-
1,893	1,572,169	1,574,828	-
-	-	-	78,899
-	-	5,484	-
43,161	22,350	1,154,624	261,514
4,867	5,603	37,928	4,185
-	-	473,304	-
1,006,835	2,188,404	21,862,828	1,492,681
-	-	170,011	-
65,647	2,008,225	4,872,044	11,967
4,300,061	2,745,983	27,718,230	2,028,243
7,268	8,123	49,875	2,708
4,372,976	4,762,331	32,810,160	2,042,918
5,379,811	6,950,735	54,672,988	3,535,599
233,779	131,285	642,816	-
328,501	497,112	2,443,979	123,264
48,096	132,778	408,006	17,819
610,376	761,175	3,494,801	141,083
20,365	38,700	1,599,131	47,824
30,196	31,116	207,188	10,887
15,401	16,077	89,703	5,618
-	-	63,414	-
4,101	3,669	21,425	-
-	-	473,304	-
-	-	4,920	-
-	-	2,568,372	-
-	-	153,963	-
44,744	60,445	560,512	31,713
162,000	182,000	725,000	-
276,807	332,007	6,466,932	96,042
80,350	699,108	823,278	-
45,307	74,993	817,749	8,783
1,959,221	1,732,036	8,409,332	-
1,092,260	1,220,760	7,495,896	406,919
527,886	589,991	3,622,750	196,664
3,705,024	4,316,888	21,169,005	612,366
3,981,831	4,648,895	27,635,937	708,408
54,605	36,042	256,934	11,769
28,206	14,528	115,599	4,920
82,811	50,570	372,533	16,689
2,478,266	4,323,535	22,520,380	2,040,210
(552,721)	(1,311,090)	7,638,939	911,375
$ 1,925,545	$ 3,012,445	$ 30,159,319	$ 2,951,585

City of Hudson, Ohio

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds

For the Year Ended December 31, 2019

	Water	Electric
Operating revenues:		
Charges for services	$ 2,069,654	$ 20,363,320
Other	94,916	118,793
Total operating revenues	2,164,570	20,482,113
Operating expenses:		
Personal services	667,421	4,432,374
Materials and supplies	249,615	166,159
Contractual services	406,577	15,732,409
Claims	-	-
Other	3,615	24,876
Depreciation	370,661	459,944
Total operating expenses	1,697,889	20,815,762
Operating income (loss)	466,681	(333,649)
Non-operating (expenses) revenues:		
Intergovernmental	-	-
Interest and fiscal charges	(129,713)	(39,555)
Gain on disposal of assets	10,570	16,499
Total non-operating (expenses) revenues	(119,143)	(23,056)
Income (loss) before transfers and capital contributions	347,538	(356,705)
Transfers – in	122,106	-
Transfers – out	-	(122,106)
Capital contributions	-	-
Change in net position	469,644	(478,811)
Net position at beginning of year	6,379,387	18,851,109
Net position at end of year	$ 6,849,031	$ 18,372,298

The accompanying notes are an integral part of the financial statements.

	Storm Sewer	Nonmajor - Funds	Totals	Governmental Activities – Internal Service Funds
	$ 55,822	$ 2,144,518	$ 24,633,314	$ 1,917,511
	3,540	19,834	237,083	4,540
	59,362	2,164,352	24,870,397	1,922,051
	1,103,775	1,348,155	7,551,725	370,399
	102,798	330,398	848,970	434,920
	174,370	227,882	16,541,238	229,918
	-	-	-	356,981
	-	77,989	106,480	-
	139,449	250,926	1,220,980	521,719
	1,520,392	2,235,350	26,269,393	1,913,937
	(1,461,030)	(70,998)	(1,398,996)	8,114
	4,500	-	4,500	-
	(67,404)	(23,457)	(260,129)	-
	10,614	-	37,683	28,969
	(52,290)	(23,457)	(217,946)	28,969
	(1,513,320)	(94,455)	(1,616,942)	37,083
	1,500,000	148,668	1,770,774	-
	-	-	(122,106)	-
	-	1,447,334	1,447,334	-
	(13,320)	1,501,547	1,479,060	37,083
	1,938,865	1,510,898	28,680,259	2,914,502
	$ 1,925,545	$ 3,012,445	$ 30,159,319	$ 2,951,585

City of Hudson, Ohio

Statement of Cash Flows
Proprietary Funds

For the Year Ended December 31, 2019

		Water		Electric
Cash flows from operating activities:				
Cash received from customers	$	2,086,528	$	20,666,689
Cash received from interfund services provided		-		-
Cash payments to employees for services		(669,141)		(3,487,020)
Cash payments for goods and services		(544,932)		(15,905,040)
Cash payments for claims		-		-
Other operating revenues		94,916		118,850
Other operating expenses		(3,615)		(65,164)
Net cash provided (used) by operating activities		963,756		1,328,315
Cash flows from noncapital financing activities:				
Transfers – in		-		-
Net cash provided by noncapital financing activities		-		-
Cash flows from capital and related financing activities:				
Acquisition of capital assets		(1,948,196)		(805,142)
Proceeds from sale of capital assets		10,570		16,499
Proceeds from issuance of notes		2,550,000		-
Premium from issuance of notes		18,372		-
Proceeds from Summit County for debt payments		-		-
Intergovernmental		-		-
Principal payments		(206,000)		(175,000)
Interest payments		(116,996)		(30,886)
Net cash provided (used) by capital and related financing activities		307,750		(994,529)
Net increase cash and cash equivalents		1,271,506		333,786
Cash and cash equivalents at beginning of year		1,470,383		10,971,087
Cash and cash equivalents at end of year	$	2,741,889	$	11,304,873

The accompanying notes are an integral part of the financial statements.

Storm Sewer	Nonmajor - Funds	Totals	Governmental Activities – Internal Service Funds
$ 55,822	$ 2,145,217	$ 24,954,256	$ -
-	-	-	1,939,396
(816,969)	(970,196)	(5,943,326)	(316,284)
(283,908)	(548,361)	(17,282,241)	(682,727)
-	-	-	(356,981)
3,540	19,834	237,140	4,540
-	(74,854)	(143,633)	-
(1,041,515)	571,640	1,822,196	587,944
1,500,000	148,668	1,648,668	-
1,500,000	148,668	1,648,668	-
(117,196)	(193,229)	(3,063,763)	(478,793)
10,614	-	37,683	28,969
-	-	2,550,000	-
-	-	18,372	-
-	115,749	115,749	-
4,500	-	4,500	-
(165,000)	(214,000)	(760,000)	-
(52,034)	(48,837)	(248,753)	-
(319,116)	(340,317)	(1,346,212)	(449,824)
139,369	379,991	2,124,652	138,120
817,545	204,336	13,463,351	1,009,963
$ 956,914	$ 584,327	$ 15,588,003	$ 1,148,083

(Continued)

City of Hudson, Ohio

Statement of Cash Flows
Proprietary Funds (continued)

For the Year Ended December 31, 2019

	Water	Electric
Reconciliation of operating income (loss) to net cash from operating activities:		
Operating income (loss)	$ 466,681	$ (333,649)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	370,661	459,944
Decrease (increase) in operating assets and deferred outflows of resources:		
Accounts receivable	14,132	214,392
Intergovernmental receivable	(766)	71
Materials and supplies inventory	8,155	51,245
Due from other fund	-	-
Special assessments receivable	2,742	-
Prepaid expenses	(218)	(587)
Net pension asset	1,834	8,638
Deferred outflows – pension	(112,107)	(611,260)
Deferred outflows – OPEB	(1,832)	(14,811)
Increase (decrease) in operating liabilities and deferred inflows of resources:		
Accounts payable	21,710	(127,673)
Accrued wages and benefits	4,495	13,177
Intergovernmental payable	(1,574)	3,047
Due to other funds	2,100	(911)
Net pension liability	316,957	1,784,741
Net OPEB liability	41,714	282,789
Retainage payable	80,634	73,329
Matured compensated absences payable	(38,128)	(38,128)
Customer deposits	-	49,885
AMP Ohio payable	-	281
Compensated absences payable	(120,504)	88,372
Deferred inflows – pension	(84,376)	(493,573)
Deferred inflows – OPEB	(8,554)	(81,004)
Total adjustments	497,075	1,661,964
Net cash provided (used) by operating activities	$ 963,756	$ 1,328,315
Non-cash capital financing activities:		
Amortization of premium on general obligation bonds	$ (2,535)	$ (1,425)
Amortization of loss on refunding	13,642	10,372
Capital assets contributed from governmental activities	-	-
Capital assets purchased on account	221,573	-
Transfer of capital assets	122,106	(122,106)

The accompanying notes are an integral part of the financial statements.

Storm Sewer	Nonmajor - Wastewater	Totals	Governmental Activities – Internal Service Funds
$ (1,461,030)	$ (70,998)	$ (1,398,996)	$ 8,114
139,449	250,926	1,220,980	521,719
-	699	229,223	-
(1,893)	-	(2,588)	-
4,286	12,087	75,773	(112)
-	-	-	21,885
-	-	2,742	-
305	(346)	(846)	327
2,601	(97)	12,976	797
(158,786)	(348,628)	(1,230,781)	(61,147)
(1,887)	(95,206)	(113,736)	(1,409)
(8,722)	(3,376)	(118,061)	(18,090)
14,325	11,738	43,735	1,530
(3,724)	6,651	4,400	1,692
-	(53)	1,136	-
415,843	670,774	3,188,315	166,698
49,224	200,798	574,525	26,672
-	-	153,963	-
-	-	(76,256)	-
-	-	49,885	-
-	-	281	-
84,503	47,847	100,218	(26,797)
(108,558)	(96,712)	(783,219)	(46,192)
(7,451)	(14,464)	(111,473)	(7,743)
419,515	642,638	3,221,192	579,830
$ (1,041,515)	$ 571,640	$ 1,822,196	$ 587,944
$ (1,211)	$ (1,362)	$ (6,533)	$ -
16,816	11,552	52,382	-
-	1,447,334	1,447,334	-
-	-	221,573	-
-	-	-	-

City of Hudson, Ohio

Statement of Fiduciary Net Position
Fiduciary Funds

December 31, 2019

	Custodial Funds
Assets:	
Equity in pooled cash and cash equivalents	$ 139
Property taxes receivable	2,448,683
Municipal income taxes receivable	502,879
Intergovernmental receivable	115,459
Total assets	3,067,160
Liabilities:	
Intergovernmental payable	139
Deferred inflows of resources:	
Property taxes	2,415,985
Fiduciary net position:	
Restricted for other governments	651,036
Total fiduciary net position	$ 651,036

The accompanying notes are an integral part of the financial statements.

City of Hudson, Ohio

Statement of Changes in Fiduciary Net Position
Fiduciary Funds

For the Year Ended December 31, 2019

	Custodial Funds
Additions:	
Property tax collected for other governments	$ 2,307,078
Intergovernmental	230,526
Municipal income tax collected for other governments	1,877,934
Total additions	4,415,538
Deductions:	
Payments of property tax to others	2,532,231
Payments of municipal income tax to other governments	1,728,947
Collection dues and fees	84,712
Total deductions	4,345,890
Change in fiduciary net position	69,648
Fiduciary net position at beginning of year, restated (see Note 3)	581,388
Fiduciary net position at end of year	$ 651,036

The accompanying notes are an integral part of the financial statements.

Note 1: Description of the City and Reporting Entity

The City of Hudson, Ohio (the "City") is a charter municipal corporation established and operating under the laws of the State of Ohio. The City was incorporated as a village in 1837, and became a city on March 20, 1991. The City merged with Hudson Township on January 1, 1994. The municipal government provided by the Charter is known as a Mayor – Council – Manager form of government. Legislative power is vested in a seven-member Council, each elected to a four-year term. The Mayor is also elected to a four-year term and is the official and ceremonial head of the municipal government. The City Manager is the chief executive officer and the head of the administrative agencies of the City. The City Manager appoints all department managers while Council appoints the Clerk of Council.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the City are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Hudson, this includes police and fire protection, emergency medical, parks, planning, zoning, street maintenance and repair, and general administrative services. Overall, City activities are directly controlled by Council through the budgetary process.

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 deficits of, or provide financial support to, 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. The City has no component units.

The City is associated with a joint venture and a shared risk pool. The joint venture is the Ohio Municipal Electric Generation Agency Joint Venture 5. The Northern Ohio Risk Management Association (NORMA) is the shared risk pool. These organizations are presented in Notes 21 and 22, respectively.

Note 2: Summary of Significant Accounting Policies

The basic financial statements of the City have been prepared in conformity with generally accepted accounting principles (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 most significant of the City's accounting policies are described below.

A. Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a Statement of Net Position and a Statement of Activities, and fund financial statements which provide a more detailed level of financial information.

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

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 activity of the internal service fund is 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.

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 function is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

B. Fund Accounting

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

Governmental Funds

Governmental funds are those through which most governmental functions 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.

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Governmental Funds (continued)

Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following are the City's major governmental funds:

General Fund – The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Hudson and/or the general laws of Ohio.

Street Construction Fund – The Street Construction Special Revenue Fund accounts for proceeds of specific revenue sources that are legally restricted to expenditures for street maintenance and repair.

Broadband Capital Fund **–** The Broadband Capital Fund accounts for the costs of the City's buildout of its broadband capacity.

Downtown Phase II Fund – The Downtown Phase II Fund accounts for activity related to redevelop and downtown expansion.

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

Proprietary Funds

Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

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

Water Fund **–** The Water Fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

Electric Fund **–** The Electric Fund accounts for the cost of operating the municipally-owned electric utility and the related revenue from charges for services.

Storm Sewer Fund **–** The Storm Sewer Fund accounts for the cost of operating the City's storm sewer system.

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

Proprietary Funds (continued)

Internal Service Funds – Internal service funds account 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 funds report on equipment reserve, and fleet management and self-insurance programs for employee medical benefits.

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 custodial 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 City has no trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City maintains two custodial funds to account for property taxes levied by the City on behalf of Hudson Library and Historical Society and Hudson Schools.

C. Measurement Focus

Government-wide Financial Statements

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position.

Fund Financial Statements

All governmental fund types are accounted for using a flow of current financial resources measurement focus. 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses, and 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.

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

Fund Financial Statements (continued)

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

Revenues – Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within 60 days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 8). 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 non-exchange transactions must also be available before it can be recognized.

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

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the financial statements may report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. At December 31, 2019, the City had deferred outflows of resources for deferred losses on refunding, pension and other postemployment benefits (OPEB) plans reported in the government-wide Statement of Net Position and the proprietary funds Statement of Fund Net Position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Note 16 and Note 17.

In addition to liabilities, the financial statements may 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 a recognized as inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, unavailable revenue and amounts for pension and OPEB plans. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide Statement of Net Position and the governmental funds Balance Sheet. Unavailable revenue is reported only on the governmental funds Balance Sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, income taxes, special assessments, interest, and intergovernmental revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide Statement of Net Position and in the proprietary funds Statement of Fund 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.

Note 2: Summary of Significant Accounting Policies (continued)

E. Budgetary Process

All funds, except fiduciary funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and set annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if the Finance Director identifies projected increases or decreases in revenue. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amount on the amended certificate of estimated resources in effect at the time the original and final appropriations were enacted by Council.

Appropriations by fund must be within the estimated resources as certified by the Commission, and the total of expenditures and encumbrances may not exceed the appropriations at the legal level of control. Any revisions that alter the appropriations among departments within a fund must first be approved by Council.

Formal budgetary integration is employed as a management control device during the year for all funds consistent with statutory provisions. Appropriation amounts are as originally adopted, or as amended by Council throughout the year by supplemental appropriations which either reallocate or increase the original appropriation amounts. During the year, supplemental appropriation measures were legally enacted. The budgetary figures which appear in the statements of budgetary comparisons, represent the final appropriation amounts, including all amendments and modifications.

As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations at the legal level of budgetary control.

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

F. Cash and Cash Equivalents

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

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents (continued)

Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as overnight repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

Following Ohio statutes, the City has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the General Fund during the year 2019 amounted to $1,344,895, which includes $1,092,914 assigned from other City funds.

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

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 the City has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The City measures their 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 a NAV per share that approximates fair value.

For the year ended 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.

The City has donated stock. The account is presented on the financial statements as "Investment in common stock" since they are not required to be deposited into the City treasury. See Note 6, Deposits and Investments.

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

G. Interfund Balances

On the fund financial statements, interfund loans are classified as "Interfund receivable/payable" on the Balance Sheet. Long-term interfund loans are classified as "Advances to/from other funds" on the Balance Sheet and are equally offset as part of nonspendable fund balance which indicates that they do not constitute available expendable resources. 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.

Note 2: Summary of Significant Accounting Policies (continued)

G. Interfund Balances (continued)

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension and OPEB items are eliminated in the business-type activities column of the statement of net position.

H. Inventory

Inventories of all funds are stated at cost which is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditures in the governmental fund types and as expenses in the proprietary fund types when used.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items using the allocation method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

J. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the General Fund and nonmajor governmental funds represent flex benefits due to employees and contractor deposits, respectively. In the General Fund's accounts payable at year-end $473 is restricted for flex benefits. In the nonmajor governmental funds' accounts payable at year-end $14,528 is a restricted for contractor deposits.

K. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of $5,000. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, traffic signals, irrigation systems, broadband, and water and sewer lines. 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 capitalized. Interest incurred during the construction of capital assets is also capitalized.

Note 2: Summary of Significant Accounting Policies (continued)

K. Capital Assets (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
Buildings	10 to 100 years	10 to 50 years
Land improvements	10 to 50 years	15 to 50 years
Vehicles	5 to 12 years	8 to 30 years
Equipment, furniture and fixtures	5 to 20 years	5 to 30 years
Infrastructure	5 to 65 years	2 to 100 years

L. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for all accumulated unused vacation time when earned for all eligible employees with more than one year of service.

Sick leave benefits are reported as a liability using the vesting method. An accrual for sick leave is made for those employees who are currently eligible to receive termination payments, as well as other employees who are expected to become eligible in the future to receive such payments. The liability is an estimate based on the City's past experience of making termination payments. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "matured compensated absences" in the fund from which the employees who have accumulated unpaid leave are paid. The non-current portion of the liability is not reported.

M. Payables, Accrued Liabilities and Long-Term Obligations

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

Note 2: Summary of Significant Accounting Policies (continued)

M. Payables, Accrued Liabilities and Long-Term Obligations (continued)

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources, are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability on the fund financial statements when due.

N. Fund Balance

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

Nonspendable: The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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

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

Committed: The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be re-deployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Note 2: Summary of Significant Accounting Policies (continued)

N. Fund Balance (continued)

Assigned: Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Council or a City official delegated that authority by the Council. For the City, this individual is the Finance Director.

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

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

O. Net Position

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

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

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water, electric, storm sewer, broadband, wastewater fees, golf course fees, and self-insurance programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. Revenues and expenses not meeting these definitions are reported as non-operating.

Q. Contributions of Capital

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

Note 2: Summary of Significant Accounting Policies (continued)

Q. Contributions of Capital (continued)

Contribution and distribution of capital in the proprietary funds and distribution of capital in governmental activities financial statements arise from inside contributions of capital assets and distributions of capital assets or resources restricted to capital acquisition and construction. These are shown as transfers on the Statement of Activities.

R. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

S. Deferred Charge on Refunding

The difference between the reacquisition price (funds required to refund the old debt) of various refunding bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt whichever is shorter and is presented as deferred outflows of resources on the Statement of Net Position.

T. Pensions/Other Postemployment Benefits (OPEB)

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

U. Bond Premiums and Discounts

On the government-wide financial statements, bond premiums and discounts are deferred and amortized over the term of the bonds using the straight line method. Bond premiums are presented as an increase of the face amount of the general obligation bonds payable. On fund financial statements, bond premiums are receipted in the year the bonds are issued.

Note 2: Summary of Significant Accounting Policies (continued)

V. Estimates

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

W. Special Item

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. In 2019, the City reported a special item related to the construction of a bus garage for Hudson City School District. The City incurred $1,373,186 worth of expenses in 2019.

X. Unearned Revenues

Unearned revenues consisted of contributions from a developer for infrastructure work to be performed in a future period.

Note 3: Changes in Accounting Principles

Newly Adopted Accounting Pronouncements

For the year ended December 31, 2019, the City implemented the following Governmental Accounting Standards issued by the Governmental Accounting Standards Board (GASB):

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* This Statement requires that additional essential information related to debt be disclosed in notes to the financial statements, including: unused lines of credit, assets pledged as collateral for the debt and terms specified in debt agreements related to significant events with finance-related consequences including default, termination, and subjective acceleration clauses. These disclosures were incorporated in the City's 2019 Notes to the Financial Statements; however, there was no effect on beginning net position.

GASB Statement No. 90, *Majority Equity Interests, and amendment to GASB 14 and 61*. This statement modified previous guidance for reporting a government's equity interest in a legally separate organization. This statement also provides guidance for reporting a component unit if a government acquires a 100% equity interest in the component unit. The implementation of this GASB pronouncement did not result in any changes to the City's financial statements.

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance.* This Statement was issued in May 2020 and extends the effective dates of certain accounting and financial reporting provisions in Statements and Implementation Guides that were first effective for reporting periods beginning after June 15, 2018. The requirements of this Statement were effective immediately and implemented by the City.

Note 3: Changes in Accounting Principles (continued)

Newly Adopted Accounting Pronouncements (continued)

GASB Implementation Guide No. 2018-1, *Implementation Guidance Update – 2018*, issued in May, 2018, provides guidance that clarifies, explains or elaborates on GASB Statements. The requirements of this Implementation Guide apply to the financial statements of all state and local governments unless narrower applicability is specifically provided for in the pronouncement addressed by a question and answer. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position.

GASB Statement No. 84, *Fiduciary Activities.* The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. Activities meeting the criteria should be reported in a fiduciary fund in the basic financial statements.

GASB Implementation Guide No. 2019-2, *Fiduciary Activities*, issued in June 2019, provides guidance to address issues related to accounting and financial reporting for fiduciary activities in accordance with the requirements of GASB Statement No. 84. These changes were incorporated in the City's 2019 financial statements.

The implementation of GASB Statement No. 84 had the following effect on beginning net position and beginning fund balances as reported as of December 31, 2018:

Government-wide net position:

	Governmental Activities	Total
Net position at December 31, 2018	$ 85,197,571	$ 113,877,830
GASB 84 fund reclassification	33,631	33,631
Restated net position at December 31, 2018	$ 85,231,202	$ 113,911,461

Governmental funds fund balances:

	General Funds	Total Governmental Funds
Fund balance at December 31, 2018	$ 12,993,173	$ 15,806,982
GASB 84 fund reclassification	33,631	33,631
Restated fund balance at December 31, 2018	$ 13,026,804	$ 15,840,613

Note 3: Changes in Accounting Principles (continued)

Newly Adopted Accounting Pronouncements (continued)

Fiduciary net position:

		Custodial Funds
Fiduciary net position at December 31, 2018	$	-
GASB 84 fund reclassification		581,388
Restated fiduciary net position at December 31, 2018	$	581,388

Newly Issued Accounting Pronouncements, Not Yet Adopted

GASB Statement No. 83, *Certain Asset Retirement Obligations (AROs).* This Statement requires a governmental entity that has legal obligation (laws and regulatory requirements, court judgements, contracts, etc.) to perform future asset retirement activities related to its tangible capital assets to recognize a liability, and a corresponding deferred outflow of resources. A liability must be recognized by a government that will eventually retire, dispose of, or environmentally remediate upon retirement, a capital asset if that retirement or disposal carries with it legally enforceable obligations. Measurement of the liability and initial deferred outflow is based on the best estimate of the amount of the current value of outlays expected to be incurred. Annually, the deferred outflow is expensed over the remaining life of the capital asset and evaluated to determine whether the estimate of the liability continues to be appropriate. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after June 15, 2019. The City has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after June 15, 2021. The City has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, issued in June 2018, establishes guidance designed to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period by simplifying accounting for interest cost incurred before the end of a construction period. GASB subsequently issued GASB Statement No. 95, which deferred the effective date of this standard to reporting periods beginning after December 15, 2020. The City has not yet determined the impact that this GASB pronouncement will have on its financial statements and disclosures.

Note 3: Changes in Accounting Principles (continued)

GASB Implementation Guide No. 2019-1, *Implementation Guide Update-2019,* and GASB Implementation Guide No. 2019-3, *Leases,* effective dates were also deferred as a result of GABS Statement No. 95. The effective date of these implementation guides are reporting periods beginning after June 15, 2020 and June 15, 2021, respectively. The City has not yet determined the impact that these implementation guides will have on its financial statements and disclosures.

Note 4: Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis, as provided by law, is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. A Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual is presented for the General Fund and Street Construction Special Revenue Fund on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute.

The major difference between the budgetary basis and the GAAP basis are:

1) Revenues are recorded when received in cash (budgetary) as opposed to when susceptible to accrual (GAAP).
2) Expenditures are recorded when paid in cash (budgetary) as opposed to when the liability is incurred (GAAP).
3) Encumbrances are treated as expenditures (budgetary) rather than as restricted, committed, or assigned fund balance (GAAP).
4) Investments are reported at fair value (GAAP) rather than cost (budgetary).
5) Budgetary revenues and expenditures of the Flex Benefits Fund, Unclaimed Funds Fund and the Morning Song Inspection Fund are reclassified to the General Fund for GAAP.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and the Street Construction Fund.

Net Change In Fund Balance

	General Fund	Street Construction
GAAP basis	$ 2,063,795	$ 778,222
Net adjustment for revenue accruals	(789,947)	(286,810)
Net fair market value adjustment	(167,590)	-
Net adjustment for expenditure accruals	369,712	(262,536)
Encumbrances	(1,047,602)	(94,393)
Funds per GASB 54	1,737	-
Budgetary basis	$ 430,105	$ 134,483

Note 5: Fund Balances

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 the resources in the government funds. The constraints placed on a fund for the major governmental funds and all other governmental funds are presented below:

	General Fund	Street Construction	Broadband Capital
Nonspendable:			
Inventory	$ 27,060	$ 458,390	$ -
Prepaid expenses	50,154	13,699	-
Interfund loan receivable	1,669,278	-	-
Principal trust	-	-	-
Total nonspendable	1,746,492	472,089	-
Restricted for:			
Streets and highways	-	801,317	-
Cemetery	-	-	-
Law enforcement and education	-	-	-
Debt service	-	-	-
Capital improvements	-	-	-
Total restricted	-	801,317	-
Committed to:			
Community and economic development	-	-	-
Fire District and EMS	-	-	-
Cemetery improvement	-	-	-
Storm sewer assessment	-	-	-
Tree trust	-	-	-
Playground trust	-	-	-
Poor endowment trust	-	-	-
Veterans memorial	-	-	-
Other purposes	-	-	-
Debt service	-	-	-
Street sidewalk construction	-	-	-
Capital improvements	-	-	-
Total committed	-	-	-
Assigned to:			
Purchases on order	764,578	-	-
Unassigned (deficit)	12,579,529	-	(3,378,346)
Total fund balances	$ 15,090,599	$ 1,273,406	$ (3,378,346)

City of Hudson, Ohio

Notes to Basic Financial Statements (continued)

For the Year Ended December 31, 2019

Note 5: Fund Balances (continued)

	Downtown Phase II	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Inventory	$ -	$ 48,392	$ 533,842
Prepaid expenses	-	20,189	84,042
Interfund loan receivable	-	-	1,669,278
Principal trust	-	6,473	6,473
Total nonspendable	-	75,054	2,293,635
Restricted for:			
Streets and highways	-	135,610	936,927
Cemetery	-	134,273	134,273
Law enforcement and education	-	95,038	95,038
Debt service	-	298,538	298,538
Capital improvements	-	269,624	269,624
Total restricted	-	933,083	1,734,400
Committed to:			
Community and economic development	-	2,111,641	2,111,641
Fire District and EMS	-	4,225,818	4,225,818
Cemetery improvement	-	4,163	4,163
Storm sewer assessment	-	278,490	278,490
Tree trust	-	48,442	48,442
Playground trust	-	13,387	13,387
Poor endowment trust	-	38,428	38,428
Veterans memorial	-	16,548	16,548
Other purposes	-	8,497	8,497
Debt service	-	603,528	603,528
Street sidewalk construction	-	2,237,499	2,237,499
Capital improvements	-	1,148,691	1,148,691
Total committed	-	10,735,132	10,735,132
Assigned to:			
Purchases on order	-	-	764,578
Unassigned (deficit)	(8,320,034)	(806,991)	74,158
Total fund balances	$ (8,320,034)	$ 10,936,278	$ 15,601,903

Note 6: 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 Council has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

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

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

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

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

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

Note 6: Deposits and Investments (continued)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

Deposits

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it.

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

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

At year-end, the carrying amount of the City's deposits was $3,034,308 and the bank balance was $3,256,670. At year-end, $543,862 of the City's total bank balance was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the City's financial institution participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50% resulting in the uninsured and uncollateralized balance. At year-end, the City had $1,400 in cash on hand.

Note 6: Deposits and Investments (continued)

Investments

Investments are reported at fair value. As of December 31, 2019, the City had the following investments:

	Measurement Value	Maturities (in years) Less than 1	1 - 5
Common stock (donated)	$ 30,110	$ 30,110	$ -
Government agency obligations:			
Federal Home Loan Mortgage Corporation	249,800	249,800	-
Federal National Mortgage Association	499,880	-	499,880
Federal Home Loan Banks	250,745	-	250,745
Negotiable certifications of deposit	27,246,860	6,617,063	20,629,797
STAR Ohio	7,005,039	7,005,039	-
Series E bonds	2,987	2,987	-
Total portfolio	$ 35,285,421	$ 13,904,999	$ 21,380,422

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.

The City has the following recurring fair value measurements as of December 31, 2019:

- Common stock is measured based on Level 1 inputs, using quoted prices in active markets.
- Government agency obligations, negotiable certifications of deposit and Series E bonds are measured based on Level 2 inputs, using a matrix or model pricing method.
- STAR Ohio is measured at amortized cost, Level 1.

Interest Rate Risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk requiring that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City's investment policy also limits security purchases to those that mature not later than five years from purchase unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than five years.

At December 31, 2019, the average days to maturity was 55.7 for STAR Ohio.

Note 6: Deposits and Investments (continued)

Custodial Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. All financial institutions and broker/dealers who desire to become qualified for investment transactions with the City must meet a set of prescribed standards and be periodically reviewed.

Credit Risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that the portfolio be diversified both by types of investment and issuer. The government agency obligations carry a rating of AA+ by Standard & Poor's. The negotiable certificates of deposit are unrated. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. STAR Ohio has a rating of AAAm by Standard & Poor's.

Concentration of Credit Risk is defined by the GASB as five percent or more in the securities of a single issuer. The City's investment policy requires diversification of the portfolio but does not indicate specific percentage allocations. The following is the City's allocation as of December 31, 2019:

Investment Issuer	Percentage of Investments
Common Stock (donated)	0.09%
Government agency obligations	2.84
STAR Ohio	19.85
Negotiable certifications of deposit	77.22
Series E Bonds	<0.01
Total	100.00%

Note 7: Receivables

Receivables at December 31, 2019, consisted of taxes, accounts (billings for user charged services and fees), interfund, special assessments and intergovernmental receivables arising from grants, entitlements, and shared revenues. All accounts, taxes, special assessments and intergovernmental receivables are deemed collectible in full.

A summary of intergovernmental receivables follows:

Governmental activities:	
Homestead and rollback	$ 204,680
Local government	211,376
Grants	22,262
Franchise fees	77,981
Auto registration, licenses, and gasoline tax	704,226
Bureau of Workers' Compensation	24
Miscellaneous	5,612
Total governmental activities	1,226,161

Note 7: Receivables (continued)

Business-type activities:	
Summit County	1,572,169
Bureau of Workers' Compensation	2,659
Total business-type activities	1,574,828
Total	$ 2,800,989

Note 8: Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Real property taxes collected in 2019 are levied after October 1, 2018, on assessed value as of January 1, 2018, the lien date. Assessed values are established by state law at 35% of appraised market value. All property is required to be revalued every six years. Real property taxes collected in 2019 were intended to finance 2019 operations.

Public utility property taxes are assessed on tangible personal property, as well as land and improvements, at varying percentages of true value. Public utility property taxes paid in 2019 that became a lien on December 31, 2018, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2019, was $7.27 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2019 property tax receipts were based are as follows:

	Total Assessed Value
Real property valuation:	
Residential/agriculture	$ 866,457,690
Commercial/industrial/mineral	123,564,990
Public utilities	120,990
Tangible personal property valuation:	
Public utilities	18,559,630
Total valuation	$ 1,008,703,300

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.

Note 9: Income Tax

The City levies a municipal income tax of two percent on all gross salaries, wages, and other compensation, earned by the residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted 100% credit for taxes paid to other municipalities.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the Regional Income Tax Agency (RITA) either monthly or quarterly as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, disbursement of the revenue received from income taxes is as follows: first, all expenses of collecting the tax and of administering and enforcing the income tax ordinance are paid. Then, the balance remaining after payment of the expenses is deposited in the General Fund for street construction, maintenance and repair, capital improvements, and general municipal operations, or such other fund or funds as Council may, from time to time, establish or designate. The City of Hudson voters approved an increase in the income tax rate from one percent to two percent effective January 1, 2005, with 15% of such additional one percent increase being designated for funding of the Fire Department; with nine percent of such additional one percent increase being designated for funding of Emergency Medical Services; with 15% of such additional one percent increase being designated for funding of the Park System; and with 13.5% of such additional one percent increase being designated for community learning centers in the City, in cooperation with the Hudson City School District. For 2019, municipal income tax revenue was $25,481,159, which represents the City’s portion net of amount due to Hudson City School District.

Note 10: Special Assessments

Special assessments include annually assessed service assessments. Service type special assessments are levied against all property owners who benefit from the provided service. Special assessments are payable by the time and in the manner stipulated in the assessing ordinance and are a lien from the date of the passage of the ordinance.

The City’s special assessments include grass cutting and water main improvements which are billed and collected by the County Fiscal Officer. The County Fiscal Officer periodically remits these collections to the City. Special assessments collected in one calendar year are levied and certified in the preceding calendar year.

Note 11: Capital Assets

	Balance 12/31/18	Additions	Disposals and Transfers	Balance 12/31/19
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 15,680,184	$ -	$ -	$ 15,680,184
Construction in progress	7,506,229	2,894,297	(7,506,227)	2,894,299
Total capital assets, not being depreciated	23,186,413	2,894,297	(7,506,227)	18,574,483
Capital assets, being depreciated:				
Buildings	13,510,415	2,624,949	-	16,135,364
Land improvements	5,418,355	-	-	5,418,355
Vehicles	7,950,114	511,183	(247,232)	8,214,065
Equipment, furniture and fixtures	5,134,912	499,200	-	5,634,112
Infrastructure:				
Roads	147,884,370	8,309,459	-	156,193,829
Sidewalks	3,759,521	-	-	3,759,521
Traffic signals	2,971,911	-	-	2,971,911
Broadband	1,700,201	-	(1,700,201)	-
Total capital assets, being depreciated	188,329,799	11,944,791	(1,947,433)	198,327,157
Less accumulated depreciation:				
Buildings	(3,937,492)	(376,857)	-	(4,314,349)
Land improvements	(1,900,327)	(274,259)	-	(2,174,586)
Vehicles	(5,883,140)	(659,561)	247,232	(6,295,469)
Equipment, furniture and fixtures	(2,963,316)	(257,546)	-	(3,220,862)
Infrastructure:				
Roads	(78,243,073)	(5,249,117)	-	(83,492,190)
Sidewalks	(1,915,699)	(114,810)	-	(2,030,509)
Traffic signals	(2,159,864)	(77,897)	-	(2,237,761)
Broadband	(252,867)	-	252,867	-
Total accumulated depreciation	(97,255,778)	(7,010,047)	500,099	(103,765,726)
Total capital assets, being depreciated, net	91,074,021	4,934,744	(1,447,334)	94,561,431
Governmental activities capital assets, net	$ 114,260,434	$ 7,829,041	$ (8,953,561)	$ 113,135,914

Depreciation expense was charged to governmental functions as follows:

General government	$ 509,171
Security of persons and property	443,769
Public health	28,604
Leisure time services	276,628
Community and economic development	10,434
Transportation	5,741,441
Total	$ 7,010,047

Note 11: Capital Assets (continued)

	Balance 12/31/18	Additions and Transfers	Disposals	Balance 12/31/19
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 2,332,463	$ -	$ -	$ 2,332,463
Construction in progress	1,443,167	2,449,114	(1,352,700)	2,539,581
Total capital assets, not being depreciated	3,775,630	2,449,114	(1,352,700)	4,872,044
Capital assets being depreciated:				
Buildings	5,697,204	-	-	5,697,204
Land improvements	2,254,010	-	-	2,254,010
Vehicles	1,328,447	-	(49,341)	1,279,106
Equipment, furniture and fixtures	4,109,954	62,868	-	4,172,822
Infrastructure:				
Water main lines	16,047,832	919,059	-	16,966,891
Storm water lines	5,041,601	117,196	-	5,158,797
Electric	11,414,936	608,530	-	12,023,466
Broadband	-	1,893,430	-	1,893,430
Total capital assets, being depreciated	45,893,984	3,601,083	(49,341)	49,445,726
Less accumulated depreciation:				
Buildings	(1,580,335)	(105,105)	-	(1,685,440)
Land improvements	(1,519,759)	(92,145)	-	(1,611,904)
Vehicles	(1,301,255)	(3,736)	49,341	(1,255,650)
Equipment, furniture and fixtures	(3,008,721)	(144,754)	-	(3,153,475)
Infrastructure:				
Water main lines	(8,189,824)	(343,798)	-	(8,533,622)
Storm sewer	(830,685)	(130,186)	-	(960,871)
Electric	(3,872,411)	(277,600)	-	(4,150,011)
Broadband	-	(376,523)	-	(376,523)
Total accumulated depreciation	(20,302,990)	(1,473,847)	49,341	(21,727,496)
Total capital assets, being depreciated, net	25,590,994	2,127,236	-	27,718,230
Business-type activities capital assets, net	$ 29,366,624	$ 4,576,350	$ (1,352,700)	$ 32,590,274

During 2019, the City transferred construction in process from the Electric Fund to the Water Fund. The construction in process has a cost basis of $122,106. The City also transferred infrastructure related to broadband from governmental activities to the Broadband Fund in 2019. The infrastructure has a cost basis of $1,700,201 and accumulated depreciation of $252,867. This transfer is reported as an addition in broadband in the table above and a deletion in governmental activities.

Note 12: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City has joined together with other neighboring cities to form the Northern Ohio Risk Management Association (NORMA), a not-for-profit corporation, for the purpose of obtaining property, liability, and vehicle insurance and providing for a formalized, jointly administered Self-Insurance Fund. The City pays an annual premium to NORMA for its insurance coverage. The agreement for formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of limits described in the agreement. There has not been a significant reduction is coverage from the prior year and claims have not exceeded coverage provided by NORMA in any of the last three years.

During 2019, the City contracted its medical insurance through a fully insured plan offered by Medical Mutual.

In addition, the City has established a Health Care Self-Insurance Fund. The purpose of this fund is to pay dental and vision claims of the City's employees and their covered dependents in order to minimize the total cost of annual health care insurance. The City has contracted with a third-party administrator to direct this program. The third-party administrator evaluates and settles all claims from the City and administers the plans. As December 31, 2019, management believes any liability related to these claims to be insignificant.

Note 13: Short-Term Obligations

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

	Balance 12/31/18	Additions	Reductions	Balance 12/31/19
Governmental activities:				
2018 Capital facilities bond anticipation notes – 3.50%	$ 7,500,000	$ -	$ (7,500,000)	$ -
Premium on 2018 notes	90,825	-	(90,825)	-
2019 Various purpose bond anticipation notes – 2.00%	-	8,675,000	-	8,675,000
Premium on 2019 notes	-	62,500	-	62,500
Total governmental activities – short-term obligations	$ 7,590,825	$ 8,737,500	$ (7,590,825)	$ 8,737,500
Business-type activities:				
2019 Various purpose bond anticipation notes – 2.00%	$ -	$ 2,550,000	$ -	$ 2,550,000
Premium on notes	-	18,372	-	18,372
Total business-type activities – short-term obligations	$ -	$ 2,568,372	$ -	$ 2,568,372

Note 13: Short-Term Obligations (continued)

On December 19, 2018, the City issued $7,500,000 in capital facilities bond anticipation notes at an annual interest rate of 3.50%. These notes were paid in full in 2019. The proceeds were used to improve City owned property located at 5810 Hudson Drive.

On December 18, 2019, the City issued $11,225,000 in various purpose bond anticipation notes at an annual interest rate of 2.00% that will mature on December 18, 2020. The proceeds were used to improve City owned property located at 5810 Hudson Drive, the City's water system and to improve City Hall.

The notes are backed by the full faith and credit of the City and mature within one year. The liability is reflected in the funds which received the proceeds. By Ohio law, notes can be issued in anticipation of bond proceeds, special assessment bond proceeds and levies, or for up to 50% of anticipated revenue collections. There are limitations on the number of times a note can be renewed.

Note 14: Long-term Obligations

The original issue date, interest rates, and original issuance amount for each of the City's bonds follows:

Debt Issue	Original Issuance Year	Maturity Year	Interest Rates	Original Issuance Amount
Governmental Activities:				
General Obligation Bonds:				
2008 Park Improvement G.O. Bonds Refunded	2008	2019	4.00%	710,000
2008 Library Improvement C.A.B. Bonds Refunded	2008	2019	19.92%	95,000
2011 Community Center Expansion G.O. Bond Refunded	2011	2023	2.00 - 2.50%	175,000
2011 Police Facility Construction G.O. Bond Refunded	2011	2023	2.00 - 2.50%	2,120,000
2011 Road Improvement G.O. Bond Refunded	2011	2023	2.00 - 2.50%	640,000
2011 Street Improvement – Seasons Road G.O. Bond	2011	2031	3.00% - 4.00%	1,175,000
2011 Street Improvement – Atterbury Boulevard G.O. Bond	2011	2031	3.00% - 4.00%	3,770,000
2012 Milford/RT 91 Construction G.O. Bond Refunded	2012	2024	1.50% - 2.00%	2,305,000
2012 Capital Facilities G.O. Bond	2012	2032	1.75% - 2.50%	4,735,000
2013 Street Improvement G.O. Bond	2013	2023	2.00% - 2.50%	5,000,000
2018 Various Purpose G.O. Bond	2018	2038	3.00% - 3.25%	8,155,000

Note 14: Long-term Obligations (continued)

	Original Issuance Year	Maturity Year	Interest Rates	Original Issuance Amount
Governmental Activities (continued):				
Special Assessment Bonds:				
1999 Water Main Construction S.A. Bonds	1999	2019	5.63%	420,000
OPWC Loan	2009	2030	0.00%	143,714
Business Type Activities:				
General Obligation Bonds:				
1998 Golf Course Improvement G.O. Bonds	1998	2019	5.10%	690,000
2011 Golf Course Improvement G.O. Bond Refunded	2011	2023	2.00 - 2.50%	875,000
2011 Storm Water Improvement G.O. Bond Refunded	2011	2023	2.00 - 2.50%	580,000
2011 Substation Construction G.O. Bond Refunded	2011	2023	2.00 - 2.50%	1,190,000
2011 Water System Improvement G.O. Bond Refunded	2011	2033	2.00 - 3.50%	3,210,000
2012 Water System Improvement G.O. Bond Refunded	2012	2035	1.50% - 3.00%	604,000
2012 Sewer Improvement Refunded	2012	2034	1.50% - 3.00%	623,000
2012 Sewer Improvement Refunded	2012	2035	1.50% - 3.00%	1,114,000
2012 Electric Issue Refunded	2012	2034	1.50% - 3.00%	722,000
2012 Storm Water Improvement Refunded	2012	2035	1.50% - 3.00%	2,182,000
2018 Various Purpose G.O. Bond	2018	2038	3.00% - 3.25%	820,000

The changes in the City's long-term obligations during the year consist of the following:

	Balance 12/31/18	Additions	Retirements	Balance 12/31/19	Amount Due in One Year
Governmental activities:					
General Obligation Bonds:					
2008 Park Improvement Refunded	$ 85,000	$ -	$ (85,000)	$ -	$ -
2011 Community Center Expansion Refunded	110,000	-	(20,000)	90,000	20,000
2011 Police Facility Construction Refunded	1,320,000	-	(250,000)	1,070,000	260,000
2011 Road Improvement Refunded	390,000	-	(75,000)	315,000	75,000
2011 Street Improvement – Seasons Road	830,000	-	(55,000)	775,000	55,000
2011 Street Improvement – Atterbury Boulevard	2,665,000	-	(170,000)	2,495,000	175,000
2012 Milford/Rt. 91 Construction Refunded	1,740,000	-	(280,000)	1,460,000	280,000
2012 Capital Facilities	3,480,000	-	(215,000)	3,265,000	220,000
2013 Street Improvement	2,625,000	-	(505,000)	2,120,000	515,000
2018 Various Purpose	8,155,000	-	(335,000)	7,820,000	330,000
2008 Library Improvement Refunded					
Capital Appreciation Bonds	95,000	-	(95,000)	-	-
Appreciation on Bonds	642,690	57,310	(700,000)	-	-
Premium on General Obligation Bonds	347,699	-	(83,910)	263,789	-
Total General Obligation Bonds	22,485,389	57,310	(2,868,910)	19,673,789	1,930,000

Note 14: Long-term Obligations (continued)

	Balance 12/31/18	Additions	Retirements	Balance 12/31/19	Amount Due in One Year
Governmental activities:					
Special Assessment Bonds:					
1999 Water Main Construction	35,000	-	(35,000)	-	-
Ohio Public Works Commission Loan:					
2009 Atterbury Boulevard Renovations	82,633	-	(7,186)	75,447	7,186
Other Long-Term Obligations:					
Compensated absences	2,186,166	1,350,775	(1,387,885)	2,149,056	1,277,642
Capital lease	119,115	180,812	(66,831)	233,096	62,388
Net pension liability	14,498,047	6,888,375	-	21,386,422	-
Net OPEB liability	11,587,530	-	(4,026,693)	7,560,837	-
Total governmental activities – long-term obligations	$ 50,993,880	$ 8,477,272	$ (8,392,505)	$ 51,078,647	$ 3,277,216
Business-type activities:					
General Obligation Bonds:					
1998 Golf Course Improvement	$ 30,000	$ -	$ (30,000)	$ -	$ -
2011 Substation Construction Refunded	730,000	-	(140,000)	590,000	140,000
2011 Water System Improvement Refunded	2,700,000	-	(145,000)	2,555,000	150,000
2011 Storm Water Improvement Refunded	360,000	-	(70,000)	290,000	70,000
2011 Golf Course Improvement Refunded	550,000	-	(105,000)	445,000	105,000
2012 Water System Improvement Refunded	530,000	-	(26,000)	504,000	26,000
2012 Sewer Improvement Refunded	561,000	-	(30,000)	531,000	30,000
2012 Sewer Improvement Refunded	976,000	-	(49,000)	927,000	47,000
2012 Electric Issue Refunded	654,000	-	(35,000)	619,000	35,000
2012 Storm Water Improvement Refunded	1,914,000	-	(95,000)	1,819,000	92,000
2018 Various Purpose	820,000	-	(35,000)	785,000	30,000
Premium on General Obligation Bonds	75,865	-	(6,533)	69,332	-
Total General Obligation Bonds	9,900,865	-	(766,533)	9,134,332	725,000
Other Long-Term Obligations:					
AMP Ohio payable	4,639	281	-	4,920	4,920
Compensated absences	1,278,043	644,084	(543,866)	1,378,261	560,512
Net pension liability	4,307,581	3,188,315	-	7,495,896	-
Net OPEB liability	3,048,225	574,525	-	3,622,750	-
Total business-type activities long-term obligations	$ 18,539,353	$ 4,407,205	$ (1,310,399)	$ 21,636,159	$ 1,290,432

Note 14: Long-term Obligations (continued)

The annual requirements to amortize all long-term debt outstanding as of December 31, 2019 are as follows:

Governmental Activities

Year ending December 31,	General Obligation Principal	General Obligation Interest	OPWC Principal
2020	$ 1,930,000	$ 524,248	$ 7,186
2021	1,974,000	483,603	7,186
2022	2,018,000	440,613	7,186
2023	2,057,000	394,798	7,186
2024	1,156,000	343,033	7,186
2025-2029	4,640,000	1,319,250	35,930
2030-2034	3,735,000	612,538	3,587
2035-2038	1,900,000	148,360	-
Total	$ 19,410,000	$ 4,266,443	$ 75,447

Business-Type Activities

Year ending December 31,	General Obligation Principal	General Obligation Interest
2020	$ 725,000	$ 235,293
2021	756,000	221,643
2022	777,000	206,178
2023	793,000	189,643
2024	459,000	170,933
2025-2029	2,485,000	673,033
2030-2034	2,700,000	295,933
2035-2038	370,000	21,847
Total	$ 9,065,000	$ 2,014,503

The business-type activities general obligation bonds will be paid with electric, wastewater, and water service charges, and golf course revenues. The AMP Ohio payable will be paid from the Electric Fund, see Note 21. Governmental activities general obligation bonds will be paid from property taxes receipted in the debt service funds. Compensated absences will be paid from the funds from which the employees' salaries are paid.

During 2009, the City entered into an agreement with Ohio Public Works Commission (OPWC) for a loan in the amount of $143,714, payable in semi-annual payments of $3,593 at zero percent interest for 20 years. This loan will be repaid from income tax monies.

Note 15: Lease Obligations

The City entered into lease agreements for equipment. The City's lease obligations meet the criteria of a capital lease and have been recorded on the government-wide statements. The capital leases are secured by the related equipment. Capital lease payments for governmental fund-type capital lease have been reclassified and is reflected as debt service expenses in the fund financial statements for the Street Construction and Maintenance Fund. The expenditures are reflected as capital outlay expenditures on a budgetary basis.

The original amount capitalized for the capital lease and the book value as of December 31, 2019 follows:

	Governmental Activities
Asset:	
Equipment	$ 333,347
Less: accumulated depreciation	(32,392)
Current book value	$ 300,955

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2019:

Year	Governmental Activities
2020	$ 72,524
2021	72,524
2022	72,524
2023	39,104
Total minimum lease payments	256,676
Less: amount representing interest	(23,580)
Present value of minimum lease payments	$ 233,096

The City entered into leases for certain equipment and office space. These leases do not meet the criteria of a capital lease.

The following is a schedule of the future minimum lease payments required under operating leases as of December 31, 2019:

Year	Governmental Activities	Business Type Activities
2020	$ 277,634	$ 57,750
2021	277,218	57,750
2022	270,154	-
Total minimum lease payments	$ 825,006	$ 115,500

Rental expense related to operating leases for office space and equipment totaled $373,134 and $57,750 in the governmental and business-type activities, respectively, for the year ended December 31, 2019.

Note 16: Defined Benefit Pension Plans

A. Net Pension/OPEB Liability (Asset)

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

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

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

GASB 68 and 75 assumes the 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). The retirement systems may allocate a portion of the employer contributions to provide for OPEB benefits including primarily health care. In most cases, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium.

State statute requires the retirement systems to amortize unfunded pension/OPEB liabilities within 30 years. If the pension/OPEB amortization period exceeds 30 years, each retirement system's board must propose corrective action to the state legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension/OPEB liability (asset) on the accrual basis of accounting. Any liability for the contractually-required contribution outstanding at the end of the year is included in intergovernmental payable on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 17 for the required OPEB disclosures.

Note 16: Defined Benefit Pension Plans (continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – City employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: the Traditional pension plan, a defined benefit plan; the Combined plan, a combination defined benefit/defined contribution plan; and the Member-Directed plan, a defined contribution plan. While members (e.g., City employees) may elect the Member-Directed plan, substantially all employee members are in OPERS' Traditional or Combined plans; therefore, the following disclosure focuses on the Traditional and Combined plans.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the Traditional and Combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. Final average salary (FAS) represents the average of the three highest years of earnings over the member's career for Groups A and B. Group C is based on the average of the five highest years of earning 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.

The Traditional plan is a defined benefit plan in which a member's retirement benefits are calculated on a formula that considers years of service and FAS. Pension benefits are funded by both member and employer contributions and investment earnings on those contributions.

The following table provides age and service requirements for retirement and the retirement formula applied to the FAS for the three member groups under the Traditional plan (see OPERS CAFR referenced above for additional information):

Group A	**Group B**	**Group C**
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 5 years of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with years 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

Note 16: Defined Benefit Pension Plans (continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

Once a benefit recipient retiring under the Traditional pension plan has received benefits for 12 months, current law provides for an annual cost-of-living adjustment (COLA). This COLA is calculated on the member's base retirement benefit at the date of retirement and is not compounded. Members retiring under the Combined plan receive a COLA on the defined benefit portion of their retirement benefit. For those who retired prior to January 7, 2013, current law provides for a 3% COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the adjustment will be based on the average percentage increase in the Consumer Price Index, capped at 3%.

A death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional pension plan and Combined plan.

The OPERS Board of Trustees approved a proposal at its October 2019 meeting to create a new tier of membership in the OPERS traditional pension plan. OPERS currently splits its non-retired membership into Group A, B or C depending on age and service criteria. Retirement Group D would consist of OPERS-contributing members hired in 2022 and beyond. Group D will have its own eligibility standards, benefit structure and unique member features designed to meet the changing needs of Ohio public workers. It also will help OPERS address expected investment market volatility and adjust to the lack of available funding for health care.

The Combined plan is a defined benefit plan with elements of a defined contribution plan. Members earn a formula benefit similar to, but at a factor less than the Traditional pension plan benefit. This defined benefit is funded by employer contributions and associated investment earnings. Member contributions are deposited into a defined contribution account in which the member self-directs the investment. Upon retirement, the member may choose a defined contribution distribution that is equal to the member's contributions to the plan and investment earnings (or losses). Members may also elect to use their defined contribution account balances to purchase a defined benefit annuity administered by OPERS.

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.

Note 16: Defined Benefit Pension Plans (continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

The subsequent table provides age and service requirements for retirement and the retirement formula applied to the FAS for the three member groups under the Combined plan (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 5 years of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 5 years 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: 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Formula:** 1.0% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Formula:** 1.0% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14% of covered payroll for state and local employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10% of covered payroll for members in the state and local classifications.

Note 16: Defined Benefit Pension Plans (continued)

B. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0% for 2019 for the Traditional and Combined plans. The portion of the employer's contribution allocated to health care was 4% for the Member-Direct plan for 2019. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. In 2019, the City's contractually required contribution, net of postemployment health care benefits, was $1,584,565. Of this amount, $200,899 is reported as intergovernmental payable at December 31, 2019.

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

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

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

OP&F also offers a deferred-retirement option plan (DROP). DROP is a cost neutral benefit offered by OP&F. Upon the DROP effective date, the member's pension is calculated as if that were their date of retirement. While the member continues to work and draw their normal salary, the amount they would have received in retirement benefits accumulates tax-deferred at OP&F on their behalf, as well as a portion of their OP&F employee contributions and interest.

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

Under normal service retirement, retired members who are at least 55 years old and have been receiving 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.

Note 16: Defined Benefit Pension Plans (continued)

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

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 19.5% of covered payroll for police employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 12.25% of covered payroll for police. The portion of employer contributions used to fund pension benefits is net of postemployment health care benefits. The portion of the employer's contribution allocated to health care was 0.5% for 2019. Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

In 2019, the City's contractually required contribution, net of postemployment health care benefits, was $490,531. Of this amount, $71,342 is reported as intergovernmental payable at December 31, 2019.

D. Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability (asset) for OPERS was measured as of December 31, 2018, and the total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 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 (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	OP&F	Total
Proportion of the net pension liability/asset prior measurement date	0.080592%	0.135515%	0.100405%	
Proportion of the net pension liability/asset current measurement date	0.078198%	0.127431%	0.091459%	
Change in Proportionate Share	(0.002394%)	(0.008084%)	(0.008946%)	
Proportionate share of the net pension liability	$ 21,416,847	$ -	$ 7,465,471	$ 28,882,318
Proportionate share of the net pension asset	$ -	$ 142,497	$ -	$ 142,497
Pension expense	$ 4,771,608	$ 45,850	$ 878,584	$ 5,696,042

Note 16: Defined Benefit Pension Plans (continued)

D. Pension Liabilities (Assets), Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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	OP&F	Total
Deferred outflow of resources				
City contributions subsequent to the measurement date	$ 1,511,436	$ 73,129	$ 490,531	$ 2,075,096
Differences in employer contributions and change in proportionate share	127,069	6,036	201,475	334,580
Net difference between projected and actual earnings on pension plan investments	2,906,862	30,696	919,740	3,857,298
Difference between expected and actual experience	988	31,825	306,726	339,539
Change in assumptions	1,864,389	-	197,920	2,062,309
Total deferred outflow of resources	$ 6,410,744	$ 141,686	$ 2,116,392	$ 8,668,822
Deferred inflow of resources				
Differences in employer contributions and change in proportionate share	$ 277,411	$ 3,573	$ 604,891	$ 885,875
Difference between expected and actual experience	281,215	58,197	6,971	346,383
Total deferred inflow of resources	$ 558,626	$ 61,770	$ 611,862	$ 1,232,258

The $2,075,096 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 in the year ending December 31, 2020. 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	OP&F	Total
Fiscal Year Ending December 31:				
2020	$ 1,912,446	$ 5,263	$ 326,812	$ 2,244,521
2021	806,661	(869)	125,693	931,485
2022	269,671	(222)	184,005	453,454
2023	1,351,904	9,388	358,519	1,719,811
2024	-	(3,230)	18,970	15,740
2025-2028	-	(3,543)	-	(3,543)
	$ 4,340,682	$ 6,787	$ 1,013,999	$ 5,361,468

Note 16: Defined Benefit Pension Plans (continued)

E. 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 active member population which consists of members in the Traditional and Combined plans is assumed to remain constant. For purposes of financing the unfunded actuarial accrued liabilities, total payroll is assumed to grow at the wage inflation rate indicated below.

The total pension liability (asset) in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	OPERS Traditional Plan	OPERS Combined Plan
Valuation date	December 31, 2018	December 31, 2018
Experience study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial cost method	Individual entry age	Individual entry age
Actuarial assumptions:		
Investment rate of return	7.20%	7.20%
Wage inflation	3.25%	3.25%
Projected salary increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 retirees	3.00% Simple	3.00% Simple
Post-Jan 7, 2013 retirees	3.00% Simple through 2018 then 2.15% Simple	3.00% Simple though 2018 then 2.15% Simple

OPERS conducts an experience study every five years in accordance with Ohio Revised Code Section 145.22. The study for the five-year period ended December 31, 2015 and methods and assumptions were approved and adopted by the OPERS Board of Trustees.

Mortality rates were based on the RP-2014 Health Annuitant Mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010.

Note 16: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables were determined by applying the MP-2015 Mortality Improvement Scale to the above described tables.

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

During 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 of the Traditional plan, the defined benefit component of the Combined plan and the annuitized accounts of the Member-Directed plan. The money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for changing amounts actually invested for the Defined Benefit portfolio was a loss of 2.94% for 2018.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board 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 7.2%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability (asset).

Note 16: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (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 7.2%, 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 (6.2%) or one-percentage-point higher (8.2%) than the current rate:

	1% Decrease (6.2%)	Discount Rate (7.2%)	1% Increase (8.2%)
City's proportionate share of the net pension liability – Traditional	$ 31,638,911	$ 21,416,847	$ 12,922,220
City's proportionate share of the net pension asset – Combined	$ 47,149	$ 142,497	$ 211,535

Assumption Changes Since the Prior Measurement Date In October 2018, the OPERS Board voted to lower the investment return assumption for its defined benefit fund from 7.5% to 7.2%.

F. 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. Assumptions considered were: withdrawals rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Note 16: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

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:

Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Salary increases	3.75% - 10.50%
Payroll growth	Inflation rate of 2.75% plus productivity increase rate of 0.5%
Cost of living adjustments	3.00% simple; 2.2% 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
67 or less	77%
68-77	105%
78 and up	115%

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
59 or less	35%
60-69	60%
70-79	75%
80 and up	100%

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

Note 16: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

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 OP&F's Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted 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	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	0.80%
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income*	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
U.S. Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10

*Levered 2x

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

Discount Rate 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.

Note 16: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

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 (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$ 9,812,847	$ 7,465,471	$ 5,503,899

Note 17: Postemployment Benefits

A. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – OPERS is a cost-sharing, multiple-employer public employee retirement system comprised of three separate pension plans: the Traditional plan, a defined benefit plan; the Combined plan, a combination defined benefit/defined contribution plan; and the Member-Directed plan, a 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 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.

Note 17: Postemployment Benefits (continued)

A. Plan Description – Ohio Public Employees Retirement System (OPERS) (continued)

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14% of earnable salary. This is the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional plan and Combined plan was 0% for 2019. The portion of employer contributions allocated to health care for members in the Member-Direct plan was 4% during 2019.

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.

Employer contribution rate are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contributions to OPERS health care plans was $18,913 for 2019.

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

Plan Description – the City's full-time police participate in the OP&F sponsored health care program, a cost-sharing, multiple-employer defined postemployment health care 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. On January 1, 2019, OP&F implemented a new model or health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an O&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan.

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.

Note 17: Postemployment Benefits (continued)

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5% 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.

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

The City's contractually required contribution to OP&F was $12,909 for 2019.

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

The net OPEB liability for OPERS as of December 31, 2019, was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. 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.

Note 17: Postemployment Benefits (continued)

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

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	0.082390%	0.100405%	
Proportion of the net OPEB liability current measurement date	0.079391%	0.091459%	
Change in Proportionate Share	(0.002999%)	(0.008946%)	
Proportionate share of the net OPEB liability	$ 10,350,711	$ 832,876	$ 11,183,587
OPEB expense (reduction in expense)	$ 941,053	$ (4,132,199)	$ (3,191,146)

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 outflow of resources			
City contributions subsequent to the measurement date	$ 18,913	$ 12,909	$ 31,822
Difference between expected and actual experience	3,506	-	3,506
Change in assumptions	333,719	431,722	765,441
Net difference between projected and actual earnings on OPEB plan investments	474,519	28,193	502,712
Differences in employer contributions and change in proportionate share	107,157	196,070	303,227
Total deferred outflow of resources	$ 937,814	$ 668,894	$ 1,606,708
Deferred inflow of resources			
Difference between expected and actual experience	$ 28,084	$ 22,315	$ 50,399
Change in assumptions	-	230,579	230,579
Differences in employer contributions and change in proportionate share	230,871	396,678	627,549
Total deferred inflow of resources	$ 258,955	$ 649,572	$ 908,527

Note 17: Postemployment Benefits (continued)

C. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

The $31,822 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 2020. 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
Fiscal Year Ending December 31:			
2020	$ 355,458	$ 5,086	$ 360,544
2021	(9,254)	5,086	(4,168)
2022	74,694	5,086	79,780
2023	239,048	13,614	252,662
2024	-	170	170
2025-2026	-	(22,629)	(22,629)
	$ 659,946	$ 6,413	$ 666,359

D. Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability for the measurement period December 31, 2018 was determined using the following actuarial assumptions that follow.

	Assumptions
Valuation date	December 31, 2017
Rolled-forward measurement date	December 31, 2018
Experience study	5-year period ended December 31, 2015
Actuarial cost method	Individual entry age normal
Projected salary increases, including 3.25% inflation	3.25 to 10.75%
Projected payroll/active member increase	3.25% per year
Investment rate of return	6.00%
Municipal bond rate	3.71%
Single discount rate of return	3.96%
Health care cost trend	Initial 10.00% to 3.25% ultimate in 2029

Note 17: Postemployment Benefits (continued)

D. Actuarial Assumptions – OPERS (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 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 was a loss of 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.

Note 17: Postemployment Benefits (continued)

D. Actuarial Assumptions – OPERS (continued)

The table below displays the Board-approved asset allocation policy 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%

Discount Rate A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. 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% for the measurement date of December 31, 2018. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be met 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 the year 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 (2.96%)	Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	$ 13,242,419	$ 10,350,711	$ 8,051,041

Note 17: Postemployment Benefits (continued)

D. Actuarial Assumptions – OPERS (continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability.

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.

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% lower or 1% higher than the current rate.

	1% Decrease	Cost Trend Rate	1% Increase
City's proportionate share of the net OPEB liability	$ 9,949,280	$ 10,350,711	$ 10,813,054

Assumption Changes Since the Prior Measurement Date The OPERS Board voted to lower the investment return assumption for its health care investment portfolio from 6.50% to 6.00%. Municipal bond rate increased from 3.31% to 3.71% and the single discount rate increased from 3.85% to 3.96%. The health care cost trend rate also increased from 7.50% initial, 3.25% unlimited in 2028 to 10.00% initial, 3.25% ultimate in 2029.

E. 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.

Note 17: Postemployment Benefits (continued)

E. Actuarial Assumptions – OP&F (continued)

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:

Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Price inflation	2.75%
Salary increases	3.75% – 10.50%
Payroll growth	Inflation rate of 2.75% plus productivity increase rate of 0.5%
Cost of living adjustments	3.00% simple; 2.2% 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
67 or less	77%
68-77	105%
78 and up	115%

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
59 or less	35%
60-69	60%
70-79	75%
80 and up	100%

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

Note 17: Postemployment Benefits (continued)

E. Actuarial Assumptions – OP&F (continued)

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	Long Term Expected Real Rate of Return
Cash and cash equivalents	0.00%	0.80%
Domestic equity	16.00	5.50
Non-US equity	16.00	5.90
Private markets	8.00	8.40
Core fixed income*	23.00	2.60
High yield fixed income	7.00	4.80
Private credit	5.00	7.50
U.S. inflation linked bonds*	17.00	2.30
Master limited partnerships	8.00	6.40
Real assets	8.00	7.00
Private real estate	12.00	6.10

*Levered 2x

Note: Assumptions are geometric

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

Discount Rate The total OPEB liability was calculated using the discount rate of 4.66%. 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 payment 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%.

Note 17: Postemployment Benefits (continued)

E. Actuarial Assumptions – OP&F (continued)

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 (3.66%)	Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	$ 1,014,669	$ 832,876	$ 680,274

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

Assumption Changes Since the Prior Measurement Date The single discount rate increased from 3.24% to 4.66%.

Changes in Benefit Terms Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer 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 health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%.

Note 18: Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and state laws. Full-time employees earn and accumulate varying hours of vacation per year, depending upon length of service. Maximum vacation accumulations range from 240 to 360 hours, depending upon length of service. All accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at the rate of 10 hours per each month of service. Sick leave may be accumulated to a maximum of 1,440 hours. After the maximum accumulation of 1,440 hours, each employee must elect, in writing each year, one of the following options for sick leave time accumulated in excess of the 1,440 hours:

1. In 40 sick leave hour increments, to have that time converted to vacation at the ratio of 40 hours of sick leave to eight hours of vacation; or

Note 18: Compensated Absences (continued)

2. To be paid for the excess 40 hours accumulated at the employee's current rate of pay. This may be paid only once each year and no further sick leave will be accumulated during that year, unless the total number of hours accumulated is less than 1,440 hours.

Upon resignation, retirement or death, an employee with 10 or more years of service with the City is eligible for a severance payment for his/her accumulated but unused sick leave, but the maximum payment shall not exceed 1,440 hours. Such payment shall be based on the employee's rate of pay at the time of resignation, retirement or death. Individuals who were regular full-time employees as of December 31, 2000, accrue sick leave at a one-for-one cash-out rate up to the next 500, 1,000, or 1,440 hour level – based on their respective aggregate sick leave levels at December 31, 2000. All remaining sick leave hours will be accrued subject to one-for-three cash-out rate, up to an aggregate maximum of 1,440 hours. Employees who dip below their maximum one-for-one cash-out levels can replenish those one-for-one levels with earned sick leave. All regular full-time employees hired after January 1, 2001, will accrue all sick leave up to a maximum of 1,440 hours subject to a one-for-three cash-out rate.

Note 19: Contingencies

A. Grants

The City has 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 is 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

From time to time, the City is subject to claims and lawsuits. The amount of liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material effect on the overall financial position of the City at December 31, 2019.

C. Contingent Liabilities

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 6,000 kilowatts of a total 771,281 kilowatts, giving the City a 0.78% 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. 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.

Note 19: Contingencies (continued)

C. Contingent Liabilities (continued)

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 was $1,038,626. The City received a credit of $378,804 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of $271,349 related to the AMPGS costs deemed to have future benefit for the project participants, leaving a net impaired cost estimate of $388,473. Because payment is probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its Electric 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. Since March 31, 2014 the City has made payments of $400,137 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 $12,595 and interest expense incurred on AMP's line-of-credit of $3,989, resulting in a net impaired cost estimate at December 31, 2019 of $4,920.

Note 20: Interfund Transactions

Interfund receivable/payable for the year ended December 31, 2019, consisted of the following:

	Receivable		
	General Fund	Internal Service Funds	Total
Payable:			
General Fund	$ -	$ 8,978	$ 8,978
Street Construction	-	57,033	57,033
Broadband Capital Fund	3,884,808	-	3,884,808
Downtown Phase II Fund	740,426	-	740,426
Nonmajor Governmental	-	3,656	3,656
Water Fund	-	3,556	3,556
Electric Fund	54,182	5,676	59,858
Total	$ 4,679,416	$ 78,899	$ 4,758,315

The amount owed to the internal service funds is for funds not yet transferred between funds for payments made by the internal service funds.

From the amounts above, the following are in the form of internal debt owed to the General Fund:

Broadband Capital Fund	$ 3,850,000
Downtown Phase II	740,000
Total	$ 4,590,000

Note 20: Interfund Transactions (continued)

The internal debt noted above matures July 17, 2020 ($3,850,000) and December 18, 2020 ($740,000) and carries an interest rate of 2.00% and 1.75%. respectively.

Long-term interfund loans are classified as "Advances to/from other funds" and consist of the following at December 31, 2019:

	Receivable General Fund
Payable:	
Downtown Phase II Fund	$ 615,000
Nonmajor Governmental	231,000
Nonmajor Enterprise	699,108
Electric Fund	43,820
Strom Sewer Fund	80,350
Total	$ 1,669,278

As of December 31, 2019, interfund cash transfers were as follows:

	Transfers – out		
	General	Nonmajor Governmental	Total
Transfers – in:			
Street Construction	$ 2,996,000	$ -	$ 2,996,000
Nonmajor governmental	5,927,555	200,000	6,127,555
Nonmajor enterprise	-	148,668	148,668
Storm Sewer	1,500,000	-	1,500,000
Total	$ 10,423,555	$ 348,668	$ 10,772,223

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; and to provide additional resources for current operations or debt service. There were two transfers from the nonmajor governmental funds. The first transfer from nonmajor governmental funds for $200,000 was a transfer from the Fire District Special Revenue Fund to the Fire Capital Replacement Capital Projects Fund, which was proper in accordance with Ohio Revised Code (ORC) 5705.13(C). The second transfer is to provide resources for debt payments.

During 2019, contribution of capital assets of $1,447,334 from the governmental activities to the business-type activities are reported as transfers in the Statement of Activities.

During 2019, the Electric Fund transferred construction in progress of $122,106 to the Water Fund. This is shown as a transfer in and transfer out on the statement of revenues, expenditures, and change in fund net position for the proprietary fund statements and are offset on the statement of activities within the business-type funds.

Note 20: Interfund Transactions (continued)

The City uses an internal proportionate share to allocate its net pension asset/liability, net OPEB liability and corresponding deferred outflows/inflows of resources and pension and OPEB expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension and OPEB deferred outflows/inflows of resources in the business-type activities columns of the statement of net position.

Eliminations made in the business type activities column include a deferred outflow of resources for the Broadband Enterprise fund and a deferred inflow of resources for the remaining enterprise fund in the amount of $125,155 related to pension and $80,768 related to OPEB.

Note 21: Joint Venture

Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5)

The City is a Financing Participant with an ownership percentage of 5.69%, and shares participation with twenty-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 (the “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.

Also pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (the “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 not met its debt coverage obligation.

Note 21: Joint Venture (continued)

Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5) (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 (the "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. The City's net investment to date in OMEGA JV5 was $170,011 at December 31, 2019. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.auditor.state.oh.us.

Note 22: Shared Risk Pool

NORMA is a shared risk pool comprised of various cities. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered Self-Insurance Fund. The members formed a not-for-profit corporation known as NORMA, Inc. to administer the pool. NORMA is governed by a Board of Trustees that consists of the mayor from each of the participating members.

Note 22: Shared Risk Pool (continued)

Each entity must remain a member for at least three years from their commencement date. After the initial three years, each City may extend its term in three-year increments. Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first $1,000 to $2,500 of any valid claim will be paid by the member. The next payment, generally a maximum of $100,000 per occurrence, will come from the self-insurance pool with any excess paid from the stop-loss coverage carried by the pool. Any losses over these amounts would be the obligation of the individual member. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2019, the City paid $168,208 for premiums. Financial information can be obtained by contacting the fiscal agent at the City of Highland Heights, 5827 Highland Road, Highland Heights, Ohio, 44143.

Note 23: Accountability

There were deficits in the following governmental funds: Downtown Phase II Fund of $8,320,034, City Acquisition Fund of $806,991 and Broadband Capital Fund of $3,378,346. These deficits were caused by the application of accounting principles generally accepted in the United States of America to these funds. The General Fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

Note 24: Significant Commitments

A. Contracts

The City has the following outstanding contractual commitments for various construction projects at December 31, 2019:

Project	Contract and Contingency	Amount Incurred	Amount Remaining
City Hall renovations	$ 2,598,554	$ 2,580,300	$ 18,254
Brine well	1,703,955	1,512,141	191,814
Hudson old school green	333,805	306,919	26,886
Hudson Drive waterline	582,462	519,087	63,375
Hudson Drive waterline	144,121	122,106	22,015

Note 24: Significant Commitments (continued)

B. Encumbrances

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

Governmental funds:		
General	$	764,578
Street Construction		82,973
Broadband Capital		347,761
Downtown Phase II		726,265
Nonmajor Governmental		2,937,601
Total governmental funds	$	4,859,178

Note 25: Tax Abatement Disclosures

As of December 31, 2019, the City provides tax incentives under two programs: The Community Reinvestment Area (CRA) and the Job Creation Grant Program.

Real Estate tax abatements

Pursuant to Ohio Revised Code Chapter 3735, the City established a Community Reinvestment Area, which included all land within the boundaries of the City. The City authorizes incentives through passage of public ordinances, based upon each businesses investment criteria, and through a contractual application process with each business, including proof that the improvement have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the CRA gave the City the ability to maintain and expand business located in the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate and includes major housing improvements. During 2019, the City had multiple agreements under the CRA outstanding with total abated property taxes of $823,066. The City's share of the abated taxes for 2019 was $66,717.

Income tax abatement programs

The City created the Job Creation Grant Program. The purpose of the program is to maintain the City's competitiveness as a site for location of new businesses and the expansion of existing businesses. Pursuant to Article XVIII, Section 3 and Article VIII, Section 13 of the Ohio Constitution (Resolution #05-39), the City provides an incentive to the company based upon the company's gross annual payroll, the amount of income tax generated annually and the number of jobs created or retained by the business. The abatement is administered as a refund based upon the company's payroll taxes. Also, the time period of the incentive in years, is determined by how many new jobs are to be created by the company. The total amount of taxes abated under this program for the year ended December 31, 2019 was $140,816.

Note 26: Subsequent Events

In early calendar 2020, the world began dealing with the effects of the Coronavirus pandemic (COVID-19). Disruptions to operations, including government mandated actions, employee, and supplier related challenges have impacted many entities. The financial markets have experienced significant volatility. Governmental agencies have made indications of their desire to provide aid to those affected by COVID-19; however, the availability, form, and amount of such aid that may be available to the City is not yet known. In April 2020, Moody's maintained the City's Aaa credit rating. In response to COVID-19, the City has also reduced their 2020 budget by $5.6 million to offset anticipated lost revenues. The City continues to evaluate the effects of CODIV-19 on its operations.

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employee Retirement System – Traditional Plan

For the Last Six Years

	2019 (1)	2018(1)	2017(1)	2016(1)	2015(1)	2014(1)
City's proportion of the net pension liability	0.078198%	0.080592%	0.077752%	0.076305%	0.074007%	0.074007%
City's proportionate share of the net pension liability	$ 21,416,847	$ 12,643,320	$ 17,656,065	$ 13,217,039	$ 8,926,071	$ 8,724,461
City's covered payroll	$ 10,547,760	$ 10,184,293	$ 9,366,862	$ 9,408,900	$ 9,174,175	$ 8,946,448
City's proportionate share of the net pension liability as a percentage of its covered payroll	203.05%	124.15%	188.50%	140.47%	97.30%	97.52%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Asset
Ohio Public Employee Retirement System – Combined Plan

For the Last Six Years

	2019 (1)	2018(1)	2017(1)	2016(1)	2015(1)	2014(1)
City's proportion of the net pension asset	0.127431%	0.135515%	0.137788%	0.166580%	0.166437%	0.166437%
City's proportionate share of the net pension asset	$ 142,497	$ 184,477	$ 76,688	$ 81,062	$ 64,084	$ 17,465
City's covered payroll	$ 540,616	$ 524,274	$ 501,613	$ 597,167	$ 585,375	$ 570,840
City's proportionate share of the net pension asset as a percentage of its covered payroll	26.36%	35.19%	15.29%	13.57%	10.95%	3.06%
Plan fiduciary net position as a percentage of the total pension asset	126.64%	137.28%	116.55%	116.90%	114.83%	n/a

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Police and Fire Pension Fund

For the Last Six Years

	2019 (1)	2018(1)	2017(1)	2016(1)	2015(1)	2014(1)
City's proportion of the net pension liability	0.091459%	0.100405%	0.094876%	0.099193%	0.102264%	0.102264%
City's proportionate share of the net pension liability	$ 7,465,471	$ 6,162,308	$ 6,009,351	$ 6,381,155	$ 5,297,686	$ 4,980,563
City's covered payroll	$ 2,306,605	$ 2,336,446	$ 2,279,200	$ 2,228,026	$ 2,371,831	$ 2,162,499
City's proportionate share of the net pension liability as a percentage of its covered payroll	323.66%	263.75%	263.66%	286.40%	223.36%	230.32%
Plan fiduciary net position as a percentage of the total pension liability	63.07%	70.91%	68.36%	66.77%	71.71%	73.00%

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City Contributions
Ohio Public Employee Retirement System – Traditional Plan

For the Last Ten Years

	2019	2018	2017	2016	2015
Contractually-required contribution	$ 1,511,436	$ 1,476,686	$ 1,323,958	$ 1,124,025	$ 1,129,068
Contributions in relation to the contractually-required contribution	(1,511,436)	(1,476,686)	(1,323,958)	(1,124,025)	(1,129,068)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$10,795,971	$10,547,760	$10,184,293	$ 9,366,862	$ 9,408,900
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%	12.00%

	2014	2013	2012	2011	2010
Contractually-required contribution	$ 1,100,901	$ 1,163,038	$ 903,521	$ 907,499	$ 823,073
Contributions in relation to the contractually-required contribution	(1,100,901)	(1,163,038)	(903,521)	(907,499)	(823,073)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 9,174,175	$ 8,946,448	$ 9,035,205	$ 9,074,992	$ 9,145,257
Contributions as a percentage of covered payroll	12.00%	13.00%	10.00%	10.00%	9.00%

The accompanying notes are an integral part of the required supplementary information

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City Contributions
Ohio Public Employee Retirement System – Combined Plan

For the Last Ten Years

	2019	2018	2017	2016	2015
Contractually-required contribution	$ 73,129	$ 75,686	$ 68,156	$ 60,196	$ 71,660
Contributions in relation to the contractually-required contribution	(73,129)	(75,686)	(68,156)	(60,196)	(71,660)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 522,350	$ 540,616	$ 524,274	$ 501,613	$ 597,167
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%	12.00%

	2014	2013	2012	2011	2010
Contractually-required contribution	$ 70,245	$ 74,209	$ 57,650	$ 57,904	$ 52,517
Contributions in relation to the contractually-required contribution	(70,245)	(74,209)	(57,650)	(57,904)	(52,517)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 585,375	$ 570,840	$ 576,504	$ 579,042	$ 583,526
Contributions as a percentage of covered payroll	12.00%	13.00%	10.00%	10.00%	9.00%

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City Contributions
Ohio Police and Fire Pension Fund

For the Last Ten Years

	2019	2018	2017	2016	2015
Contractually-required contribution	$ 490,531	$ 438,255	$ 443,925	$ 433,048	$ 423,325
Contributions in relation to the contractually-required contribution	(490,531)	(438,255)	(443,925)	(433,048)	(423,325)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 2,453,007	$ 2,306,605	$ 2,336,446	$ 2,279,200	$ 2,228,026
Contributions as a percentage of covered payroll	20.00%	19.00%	19.00%	19.00%	19.00%

	2014	2013	2012	2011	2010
Contractually-required contribution	$ 450,648	$ 343,477	$ 279,529	$ 279,658	$ 279,646
Contributions in relation to the contractually-required contribution	(450,648)	(343,477)	(279,529)	(279,658)	(279,646)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 2,371,831	$ 2,162,499	$ 2,192,384	$ 2,193,396	$ 2,193,302
Contributions as a percentage of covered payroll	19.00%	15.88%	12.75%	12.75%	12.75%

The accompanying notes are an integral part of the required supplementary information

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Ohio Public Employee Retirement System

For the Last Three Years

	2019(1)	2018(1)	2017(1)
City's proportion of the net OPEB liability	0.079391%	0.082390%	0.079206%
City's proportionate share of the net OPEB liability	$ 10,350,711	$ 8,946,948	$ 8,000,036
City's covered payroll	$ 11,502,464	$ 11,154,757	$ 10,945,893
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	89.99%	80.21%	73.09%
Plan fiduciary net position as a percentage of the total OPEB liability	46.33%	54.14%	n/a

(1) Although this schedule is intended to show information for ten years, information prior to 2017 is not available. Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

The accompanying notes are an integral part of the required supplementary information

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Ohio Police and Fire Pension Fund

For the Last Three Years

	2019(1)	2018(1)	2017(1)
City's proportion of the net OPEB liability	0.091459%	0.100405%	0.094876%
City's proportionate share of the net OPEB liability	$ 832,876	$ 5,688,807	$ 4,503,550
City's covered payroll	$ 2,306,605	$ 2,336,446	$ 2,279,200
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	36.11%	243.48%	197.59%
Plan fiduciary net position as a percentage of the total OPEB liability	46.57%	14.13%	n/a

(1) Although this schedule is intended to show information for ten years, information prior to 2017 is not available. Amounts presented for each year were determined as of the City's measurement date, which is the prior year-end.

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City OPEB Contributions
Ohio Public Employee Retirement System

For the Last Four Years (1)

	2019	2018	2017	2016
Contractually-required contribution	$ 18,913	$ 16,337	$ 111,548	$ 218,918
Contributions in relation to the contractually-required contribution	(18,913)	(16,337)	(111,548)	(218,918)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
City covered payroll	$ 11,515,400	$ 11,502,464	$ 11,154,757	$ 10,945,893
Contributions as a percentage of covered payroll	0.16%	0.14%	1.00%	2.00%

(1) Although this schedule is intended to show information for ten years, information prior to 2016 is not available.

City of Hudson, Ohio

Required Supplementary Information
Schedule of the City OPEB Contributions
Ohio Police and Fire Pension Fund

For the Last Ten Years

	2019	2018	2017	2016	2015
Contractually-required contribution	$ 12,909	$ 11,533	$ 11,682	$ 11,396	$ 11,140
Contributions in relation to the contractually-required contribution	(12,909)	(11,533)	(11,682)	(11,396)	(11,140)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 2,453,007	$ 2,306,605	$ 2,336,446	$ 2,279,200	$ 2,228,026
Contributions as a percentage of covered payroll	0.53%	0.50%	0.50%	0.50%	0.50%

	2014	2013	2012	2011	2010
Contractually-required contribution	$ 11,859	$ 78,282	$ 147,986	$ 148,054	$ 148,048
Contributions in relation to the contractually-required contribution	(11,859)	(78,282)	(147,986)	(148,054)	(148,048)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 2,371,831	$ 2,162,499	$ 2,192,384	$ 2,193,396	$ 2,193,302
Contributions as a percentage of covered payroll	0.50%	3.62%	6.75%	6.75%	6.75%

Note 1: Net Pension Liability

Changes in Assumptions – OPERS

Amounts reported in the required supplementary information for OPERS Traditional and Combined Plans incorporate changes in assumptions used by OPERS in calculating the pension liability. These assumptions are presented below for the periods indicated:

Key Methods and Assumptions in Valuing Total Pension Liability – 2019

	OPERS Traditional plan	OPERS Combined plan
Valuation Date	December 31, 2018	December 31, 2018
Experience Study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.20%	7.20%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	3% Simple through 2018 then 2.15% Simple	3% Simple though 2018 then 2.15% Simple

Key Methods and Assumptions in Valuing Total Pension Liability – 2017-2018

	OPERS Traditional plan	OPERS Combined plan
Valuation Date	December 31, 2017	December 31, 2017
Experience Study	5-year period ended December 31, 2015	5-year period ended December 31, 2015
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	7.50%	7.50%
Wage Inflation	3.25%	3.25%
Projected Salary Increases, including 3.25% inflation	3.25 to 10.75%	3.25 to 8.25%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	3% Simple through 2018 then 2.15% Simple	3% Simple though 2018 then 2.15% Simple

Note 1: Net Pension Liability (continued)

Changes in Assumptions – OPERS (continued)

Key Methods and Assumptions in Valuing Total Pension Liability – 2016 and prior

	OPERS Traditional plan	OPERS Combined plan
Valuation Date	December 31, 2015	December 31, 2015
Experience Study	5-year period ended December 31, 2010	5-year period ended December 31, 2010
Actuarial Cost Method	Individual Entry Age	Individual Entry Age
Actuarial Assumptions:		
Investment Rate of Return	8.00%	8.00%
Wage Inflation	3.75%	3.75%
Projected Salary Increases, including 3.75% inflation	4.25 to 10.05%	4.25 to 8.05%
COLA or Ad Hoc COLA:		
Pre-Jan 7, 2013 Retirees	3% Simple	3% Simple
Post-Jan 7, 2013 Retirees	3% Simple through 2018 then 2.8% Simple	3% Simple though 2018 then 2.8% Simple

For 2019, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5% to 7.2%.

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

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 mortality table with no projections. For males 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Note 1: Net Pension Liability (continued)

Changes in Assumptions – OP&F

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

	2019-2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.00%	8.25%
Projected Salary Increases	3.75% to 10.50%	4.25% to 11.00%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%	Inflation rate of 3.25% plus productivity increase rate of 0.50%
Cost of Living Adjustments	3.00% simple; 2.20% simple for increased based on the lesser of the increase in CPI and 3%	3.00% simple; 2.60% simple for increased based on the lesser of the increase in CPI and 3%

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

Age	Police
67 or less	77%
68-77	105%
79 and up	115%

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

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

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

Note 2: Net OPEB Liability

Changes in Assumptions – OPERS

For 2019, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5% to 6.0%. For 2019, the single discount rate changed from 3.85% in 2018 to 3.96%. Prior to 2018, the single discount rate was 4.23%. For 2019, the municipal bond rate changed from 3.31% to 3.71%. For 2019, the health care cost trend rate changed from 7.5% initial, 3.25%, ultimate in 2028 to 10% initial, 3.25% ultimate in 2029.

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

Changes in Assumptions – OP&F

For 2019, the single discount rate changed from 3.24% to 4.66%.

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

Changes in Benefit Terms – OP&F

Beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer 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 health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%.

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

To the Members of the City Council
City of Hudson, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hudson, 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, and have issued our report thereon dated June 29, 2020, wherein we noted that the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities,* and as a result restated their December 31, 2018 net position of the governmental activities and fiduciary funds, and fund balance of the General Fund, as disclosed in Note 3.

Internal Control over Financial Reporting

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

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

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

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To the Members of the City Council
City of Hudson, Ohio

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

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

Ciuni + Panichi, Inc.

Cleveland, Ohio
June 29, 2020

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OHIO AUDITOR OF STATE
KEITH FABER

CITY OF HUDSON

SUMMIT 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

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