



OHIO AUDITOR OF STATE
KEITH FABER



**CITY OF FAIRLAWN
SUMMIT COUNTY
DECEMBER 31, 2020**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report.....	1
Prepared by Management:	
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	21
Statement of Activities.....	22
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	23
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	24
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds.....	25
Reconciliation of the Statement of Revenues, Expenditures And Changes in Fund Balances of Governmental Funds To the Statement of Activities	26
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund	27
Statement of Net Position	
Proprietary Fund.....	28
Statement of Revenues, Expenses and Changes in Net Position Proprietary Fund.....	29
Statement of Cash Flows	
Proprietary Funds.....	30
Statement of Fiduciary Net Position	
Fiduciary Funds.....	31
Statement of Changes in Fiduciary Net Position Fiduciary Funds.....	32
Notes to the Basic Financial Statements	33

**CITY OF FAIRLAWN
SUMMIT COUNTY
DECEMBER 31, 2020**

**TABLE OF CONTENTS
(Continued)**

TITLE	PAGE
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability/Net Pension Asset - Ohio Public Employees Retirement System (OPERS)	84
Schedule of the City's Proportionate Share of the Net Pension Liability - Ohio Police and Fire (OP&F) Pension Fund	86
Schedule of the City Pension Contributions Ohio Public Employees Retirement System (OPERS).....	88
Schedule of the City Pension Contributions Ohio Police and Fire (OP&F) Pension Fund	90
Schedule of the City's Proportionate Share of the Net OPEB Liability - Ohio Public Employees Retirement System (OPERS).....	92
Schedule of the City's Proportionate Share of the Net OPEB Liability - Ohio Police and Fire (OP&F) Pension Fund	93
Schedule of the City OPEB Contributions Ohio Public Employees Retirement System (OPERS).....	94
Schedule of the City OPEB Contributions Ohio Police and Fire (OP&F) Pension Fund	96
Notes to Required Supplementary Information	98
Schedule of Expenditures Federal Award	101
Notes to the Schedule of Expenditures Federal Award.....	102
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	103
Independent Auditor's Report on Compliance with Requirements Applicable to the Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	105
Schedule of Findings	107
Schedule of Prior Audit Findings.....	109

OHIO AUDITOR OF STATE KEITH FABER



Conference Center, Suite 154
6000 Frank Ave. NW
North Canton, OH 44720
EastRegion@ohioauditor.gov
(800) 443-9272

INDEPENDENT AUDITOR'S REPORT

City of Fairlawn
Summit County
3487 South Smith Road
Fairlawn, Ohio 44333

To the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fairlawn, Summit County, Ohio (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2020, and the respective changes in financial position and, where applicable, its cash flows thereof and the budgetary comparison for the General Fund, thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 19 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards (Schedule) presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2021, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance.



Keith Faber
Auditor of State
Columbus, Ohio

October 19, 2021

This page intentionally left blank.

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020

The management's discussion and analysis of the City of Fairlawn's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2020. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the Basic Financial Statements and the Notes to the Basic Financial Statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- The total net position of the City increased \$8,973,972. The net position of governmental activities increased \$4,330,451 or 9.12% from 2019, to a total of \$51,800,895 in 2020, while the net position of business-type activities increased by \$4,643,521 to \$15,281,160 in 2020.
- The City had \$31,731,683 in total revenues in 2020, of which \$23,867,147 related to governmental activities and \$7,864,536 related to business-type activities. General revenues accounted for \$18,679,121 or 58.87% of total revenues, while program specific revenues accounted for \$13,052,562 or 41.13% of total revenues.
- The City had \$22,757,711 in total expenses in 2020. Governmental activities accounted for \$19,536,696 of total expenses; \$5,188,026 of these expenses were offset by program specific charges for services, grants, or contributions. The remaining governmental activities expenses of \$14,348,670 were offset by general revenues, primarily consisting of property taxes, income taxes, unrestricted grants and entitlements, and Joint Economic Development District (JEDD) revenues. Business-type activities accounted for \$3,221,015 of total expenses; all of these expenses were offset by program specific charges for services, grants, or contributions.
- The City has three major governmental funds, the general fund, the capital improvement fund and the federal capital grants fund, and one major proprietary fund, the broadband fund. The general fund, the largest major governmental fund, had revenues and other financing sources of \$15,586,911 in 2020. This represents a decrease of \$1,194,772 under 2019's revenues and other financing sources. The expenditures and other financing uses of the general fund, which totaled \$13,453,420 in 2020, decreased \$4,340,539 from 2019. The net increase in fund balance for the general fund was \$2,119,352 or 13.98%.
- The capital improvement fund had revenues and other financing sources of \$3,404,512 in 2020. The expenditures of the capital improvement fund totaled \$2,015,199 in 2020. The net increase in fund balance for the capital improvement fund was \$1,389,313 or 35.45%.
- The federal capital grants fund had revenues of \$1,615,785 in 2020. The expenditures of the federal capital grants fund totaled \$2,277,400 in 2020. The net decrease in fund balance for the federal capital grants fund was \$661,615.
- The broadband fund had operating revenues of \$2,240,162 and operating expenses of \$3,221,015, resulting in an operating loss of \$980,853 in 2020. The broadband fund had nonoperating revenues of \$9,309 and capital contributions of \$5,615,065 in 2020. The net increase in net position for the broadband fund was \$4,643,521 or 43.65%.

Using these Basic Financial Statements

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

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

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2020?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows, liabilities, deferred inflows, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

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

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided.

Reporting the City's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are: the general fund, the capital improvement fund, and the federal capital grants fund. The City's major proprietary fund is the broadband fund. The analysis of the City's major funds begins on page 13.

Governmental Funds

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions.

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, the capital improvement fund and the federal capital grants fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 23-27 of this report.

Proprietary Funds

The City only maintains one type of proprietary funds, enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its broadband utility operations. The basic proprietary fund statements can be found on pages 28-30 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement 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. The City's only fiduciary fund is a custodial fund. The basic fiduciary fund financial statements can be found on pages 31-32 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 33-81 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability, net pension asset, pension contributions, net OPEB liability, and OPEB contributions. The required supplementary information can be found on pages 84-99 of this report.

THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position for 2020 compared to 2019.

	2020		2019		Net Position	
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	2020 Total	2019 Total
<u>Assets</u>						
Current and other assets	\$ 29,304,265	\$ 24,445,891	\$ 4,831,658	\$ 1,016,686	\$ 34,135,923	\$ 25,462,577
Capital assets, net	55,488,935	55,100,641	14,233,568	10,192,845	69,722,503	65,293,486
Total assets	<u>84,793,200</u>	<u>79,546,532</u>	<u>19,065,226</u>	<u>11,209,531</u>	<u>103,858,426</u>	<u>90,756,063</u>
<u>Deferred outflows of resources</u>						
Pension	2,594,335	5,433,974	131,086	117,824	2,725,421	5,551,798
OPEB	1,709,978	1,472,350	76,411	36,573	1,786,389	1,508,923
Total deferred outflows of resources	<u>4,304,313</u>	<u>6,906,324</u>	<u>207,497</u>	<u>154,397</u>	<u>4,511,810</u>	<u>7,060,721</u>
<u>Liabilities</u>						
Current and other liabilities	1,569,872	1,338,286	3,393,175	340,425	4,963,047	1,678,711
Long-term liabilities:						
Due within one year	1,261,567	1,166,338	15,331	9,241	1,276,898	1,175,579
Net pension liability	13,990,541	18,290,037	285,694	243,909	14,276,235	18,533,946
Net OPEB liability	4,385,263	4,187,424	186,927	108,762	4,572,190	4,296,186
Other amounts	11,507,623	12,119,508	23,217	20,454	11,530,840	12,139,962
Total liabilities	<u>32,714,866</u>	<u>37,101,593</u>	<u>3,904,344</u>	<u>722,791</u>	<u>36,619,210</u>	<u>37,824,384</u>
<u>Deferred inflows of resources</u>						
Property taxes	914,332	814,718	-	-	914,332	814,718
PILOTS	84,103	24,415	-	-	84,103	24,415
Pension	2,474,123	445,211	60,604	3,203	2,534,727	448,414
OPEB	1,109,194	596,475	26,615	295	1,135,809	596,770
Total deferred inflows of resources	<u>4,581,752</u>	<u>1,880,819</u>	<u>87,219</u>	<u>3,498</u>	<u>4,668,971</u>	<u>1,884,317</u>
<u>Net Position</u>						
Net investment in capital assets	53,541,941	53,429,509	12,189,768	10,192,845	65,731,709	63,622,354
Restricted	7,313,484	1,580,741	-	-	7,313,484	1,580,741
Unrestricted (deficit)	<u>(9,054,530)</u>	<u>(7,539,806)</u>	<u>3,091,392</u>	<u>444,794</u>	<u>(5,963,138)</u>	<u>(7,095,012)</u>
Total net position	<u>\$ 51,800,895</u>	<u>\$ 47,470,444</u>	<u>\$ 15,281,160</u>	<u>\$ 10,637,639</u>	<u>\$ 67,082,055</u>	<u>\$ 58,108,083</u>

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

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2020, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$67,082,055. At year-end, net position was \$51,800,895 and \$15,281,160 for the governmental activities and the business-type activities, respectively.

CITY OF FAIRLAWN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Capital assets, reported on the government-wide statements, represent the largest portion of the City's assets. At year-end, capital assets represented 67.13% of total assets. Capital assets include land, construction in progress, buildings and improvements, land improvements, licensed vehicles, machinery and equipment, and infrastructure.

The majority of the City's net position is reflected in its investment in capital assets, less any related debt used to acquire those assets. These capital assets are utilized by the City to provide services to its citizens and 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 the resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities. At December 31, 2020, the City's net investment in capital assets was \$53,541,941 and \$12,189,768 in governmental activities and business-type activities, respectively.

A portion of the City's total net position, \$7,313,484, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net position for years 2020 and 2019.

Change in Net Position

	2020 Governmental <u>Activities</u>	2019 Governmental <u>Activities</u>	2020 Business-Type <u>Activities</u>	2019 Business-Type <u>Activities</u>	2020 <u>Total</u>	2019 <u>Total</u>
Revenues						
Program revenues:						
Charges for services	\$ 1,565,187	\$ 1,119,769	\$ 2,236,175	\$ 2,029,353	\$ 3,801,362	\$ 3,149,122
Operating grants and contributions	1,274,293	551,832	13,296	3,084	1,287,589	554,916
Capital grants and contributions	<u>2,348,546</u>	<u>952,871</u>	<u>5,615,065</u>	<u>-</u>	<u>7,963,611</u>	<u>952,871</u>
Total program revenues	<u>5,188,026</u>	<u>2,624,472</u>	<u>7,864,536</u>	<u>2,032,437</u>	<u>13,052,562</u>	<u>4,656,909</u>
General revenues:						
Property and other taxes	995,344	1,103,030	-	-	995,344	1,103,030
Income taxes	12,217,153	11,852,835	-	-	12,217,153	11,852,835
Payments in lieu of taxes	24,416	23,985	-	-	24,416	23,985
Unrestricted grants and entitlements	1,030,562	487,440	-	-	1,030,562	487,440
JEDD revenues	3,732,049	3,777,184	-	-	3,732,049	3,777,184
Investment earnings	124,956	390,696	-	-	124,956	390,696
Gain on sale of capital assets	-	5,700	-	-	-	5,700
Miscellaneous	<u>554,641</u>	<u>807,565</u>	<u>-</u>	<u>-</u>	<u>554,641</u>	<u>807,565</u>
Total general revenues	<u>18,679,121</u>	<u>18,448,435</u>	<u>-</u>	<u>-</u>	<u>18,679,121</u>	<u>18,448,435</u>
Total revenues	<u>23,867,147</u>	<u>21,072,907</u>	<u>7,864,536</u>	<u>2,032,437</u>	<u>31,731,683</u>	<u>23,105,344</u>
Expenses:						
General government	2,983,873	3,351,650	-	-	2,983,873	3,351,650
Security of persons and property	9,130,642	2,685,465	-	-	9,130,642	2,685,465
Public health and welfare	116,099	115,717	-	-	116,099	115,717
Transportation	4,723,705	5,515,723	-	-	4,723,705	5,515,723
Community environment	455,717	860,891	-	-	455,717	860,891
Leisure time activity	434,073	563,194	-	-	434,073	563,194
Utility services	1,268,395	1,426,442	-	-	1,268,395	1,426,442
Other	55,020	-	-	-	55,020	-
Interest and fiscal charges	369,172	395,552	-	-	369,172	395,552
Broadband	<u>-</u>	<u>-</u>	<u>3,221,015</u>	<u>2,838,853</u>	<u>3,221,015</u>	<u>2,838,853</u>
Total expenses	<u>19,536,696</u>	<u>14,914,634</u>	<u>3,221,015</u>	<u>2,838,853</u>	<u>22,757,711</u>	<u>17,753,487</u>
Change in net position before transfers	4,330,451	6,158,273	4,643,521	(806,416)	8,973,972	5,351,857
Transfers	-	(1,006,479)	-	1,006,479	-	-
Change in net position	4,330,451	5,151,794	4,643,521	200,063	8,973,972	5,351,857
Net position at beginning of year	<u>47,470,444</u>	<u>42,318,650</u>	<u>10,637,639</u>	<u>10,437,576</u>	<u>58,108,083</u>	<u>52,756,226</u>
Net position at end of year	<u>\$ 51,800,895</u>	<u>\$ 47,470,444</u>	<u>\$ 15,281,160</u>	<u>\$ 10,637,639</u>	<u>\$ 67,082,055</u>	<u>\$ 58,108,083</u>

CITY OF FAIRLAWN, OHIO

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Governmental Activities

Governmental activities net position increased \$4,330,451 in 2020.

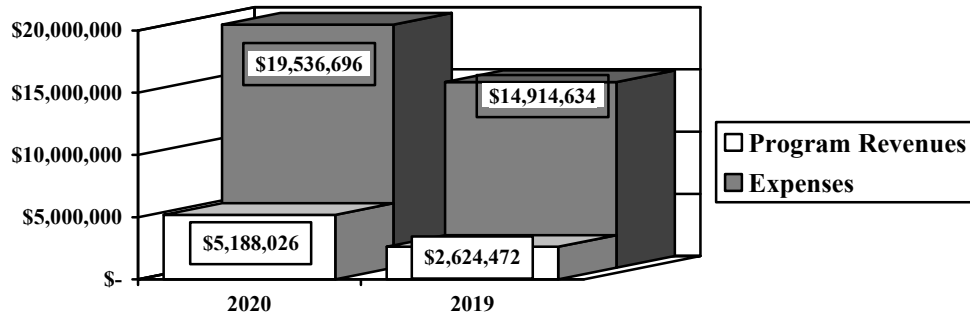
Security of persons and property, which primarily supports the operations of the police, fire, and dispatch departments accounted for \$9,130,642 of the total expenses of the City. These expenses were partially funded by \$347,421 in direct charges to users of the services and \$831,762 in operating grants and contributions. Transportation expenses totaled \$4,723,705. Transportation expenses were partially funded by \$282,617 in direct charges to users of the services, \$404,531 in operating grants and contributions, and \$2,348,546 in capital grants and contributions.

The county, state, and federal governments contributed to the City a total of \$1,274,293 in operating grants and contributions. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$38,000 subsidized general government, \$831,762 subsidized security of persons and property, and \$404,531 subsidized transportation programs.

General revenues totaled \$18,679,121 and amounted to 78.26% of total governmental revenues. These revenues primarily consist of property tax revenues of \$995,344, income tax revenues of \$12,217,153, and JEDD revenues of \$3,732,049.

The graph below illustrates the City's dependence upon general revenues as program revenues are not sufficient to cover total governmental expenses.

Governmental Activities - Program Revenues vs. Total Expenses



THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF FAIRLAWN, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

The Statement of Activities shows the cost of program services and the charges for services, grants, and contributions offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services primarily supported by tax revenue, unrestricted grants and entitlements, and JEDD revenues.

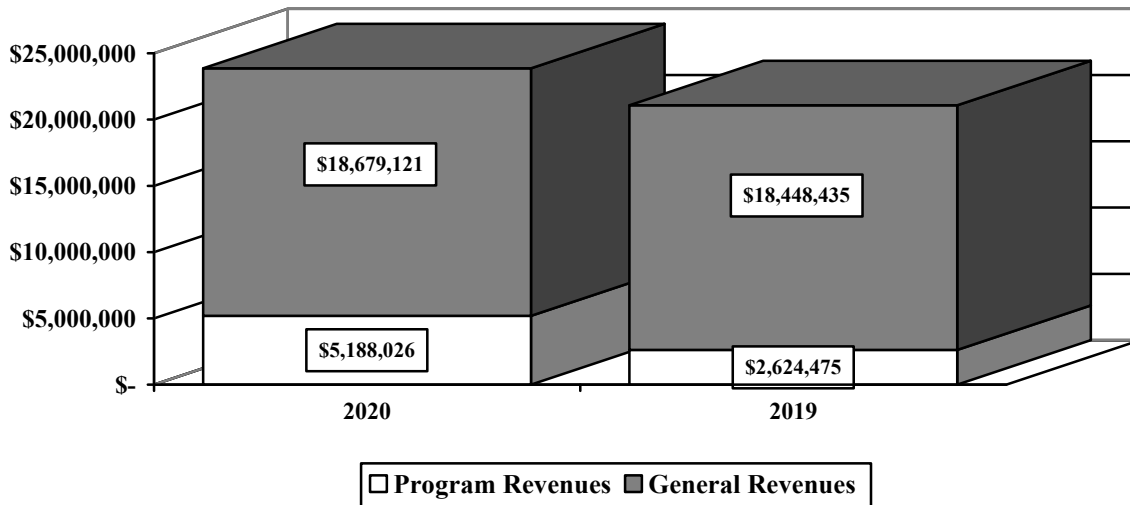
Governmental Activities

	Total Cost of Services <u>2020</u>	Total Cost of Services <u>2019</u>	Net Cost of Services <u>2020</u>	Net Cost of Services <u>2019</u>
Program Expenses:				
General government	\$ 2,983,873	\$ 3,351,650	\$ 2,204,137	\$ 3,018,370
Security of persons and property	9,130,642	2,685,465	7,951,459	2,298,540
Public health and welfare	116,099	115,717	116,099	115,717
Transportation	4,723,705	5,515,723	1,688,011	4,091,715
Community environment	455,717	860,891	398,638	547,051
Leisure time activity	434,073	563,194	430,602	546,998
Utility services	1,268,395	1,426,442	1,135,532	1,276,219
Other	55,020	-	55,020	-
Interest and fiscal charges	<u>369,172</u>	<u>395,552</u>	<u>369,172</u>	<u>395,552</u>
Total Expenses	<u>\$ 19,536,696</u>	<u>\$ 14,914,634</u>	<u>\$ 14,348,670</u>	<u>\$ 12,290,162</u>

The dependence upon general revenues for governmental activities is apparent, with 73.44% of expenses supported through taxes and other general revenues.

The chart below illustrates the City’s program revenues versus general revenues for 2020 and 2019:

Governmental Activities - General and Program Revenues



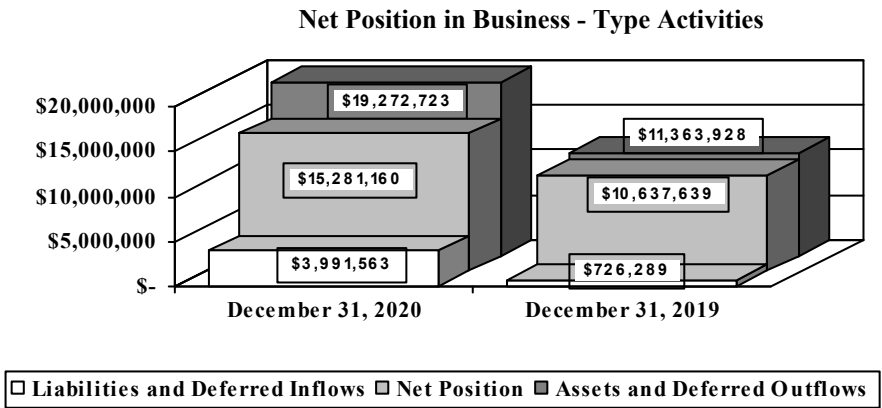
CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Business-Type Activities

Business-type activities net position increased \$4,643,521 in 2020.

Broadband expenses were \$3,221,015 for the year. Broadband expenses were fully offset by \$2,236,175 in direct charges to users of the City's broadband utility, \$13,296 in operating grants and contributions and \$5,615,065 in capital grants and contributions.



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds (as presented on the balance sheet on page 23) reported a combined fund balance of \$23,387,394 which is \$2,757,574 more than last year's total of \$20,629,820. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2020 and 2019 for all major and nonmajor governmental funds.

	Fund Balances <u>12/31/20</u>	Fund Balances <u>12/31/19</u>	Increase/ (Decrease)	Percentage Change
General fund	\$ 17,275,385	\$ 15,156,033	\$ 2,119,352	13.98%
Capital improvement fund	5,308,932	3,919,619	1,389,313	35.45%
Federal capital grants fund	(722,258)	(60,643)	(661,615)	1091.00%
Nonmajor governmental funds	<u>1,525,335</u>	<u>1,614,811</u>	<u>(89,476)</u>	-5.54%
Total	<u>\$ 23,387,394</u>	<u>\$ 20,629,820</u>	<u>\$ 2,757,574</u>	13.37%

CITY OF FAIRLAWN, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

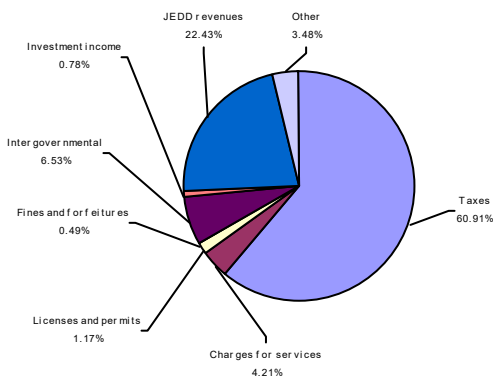
General Fund

The City’s general fund balance increased 13.98%, primarily as a result of decreasing expenditures. The table that follows assists in illustrating the revenues of the general fund.

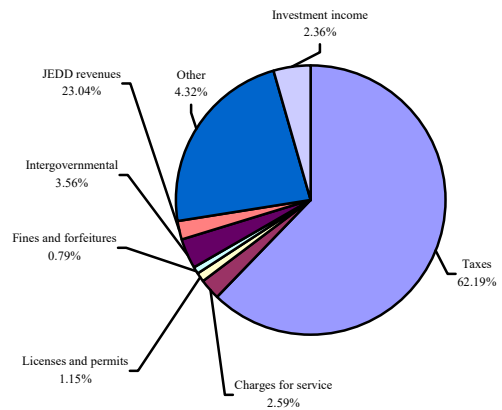
	<u>2020</u> <u>Amount</u>	<u>2019</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>			
Taxes	\$ 9,492,757	\$ 10,080,423	(5.83) %
Charges for services	656,643	419,514	56.52 %
Licenses and permits	182,061	187,048	(2.67) %
Fines and forfeitures	76,150	128,446	(40.71) %
Intergovernmental	1,018,216	577,430	76.34 %
Investment income	120,916	381,742	(68.33) %
JEDD revenues	3,496,085	3,734,681	(6.39) %
Other	<u>542,607</u>	<u>700,749</u>	(22.57) %
Total	<u>\$ 15,585,435</u>	<u>\$ 16,210,033</u>	(3.85) %

Overall revenues of the general fund decreased \$624,598 or 3.85%. Tax revenue represents 60.91% of all general fund revenue, while income tax-based JEDD revenues accounted for another 22.43%. Charges for service increased \$237,129 or 56.52% due to an increase in sewer tap-in assessments and other fees. Fines and forfeitures decreased \$52,296 or 40.71% due to a decrease in Mayor’s Court fines and court costs. Intergovernmental revenues increased by \$440,786 or 76.34%, partially due to refunds issued by Bureau of Workers’ Compensation (BWC) to the City to help ease the financial effects of COVID-19. Investment income decreased by \$260,826 or 68.33% due to a decrease in interest received. All other revenues remained comparable to 2019.

Revenues - 2020



Revenues - 2019



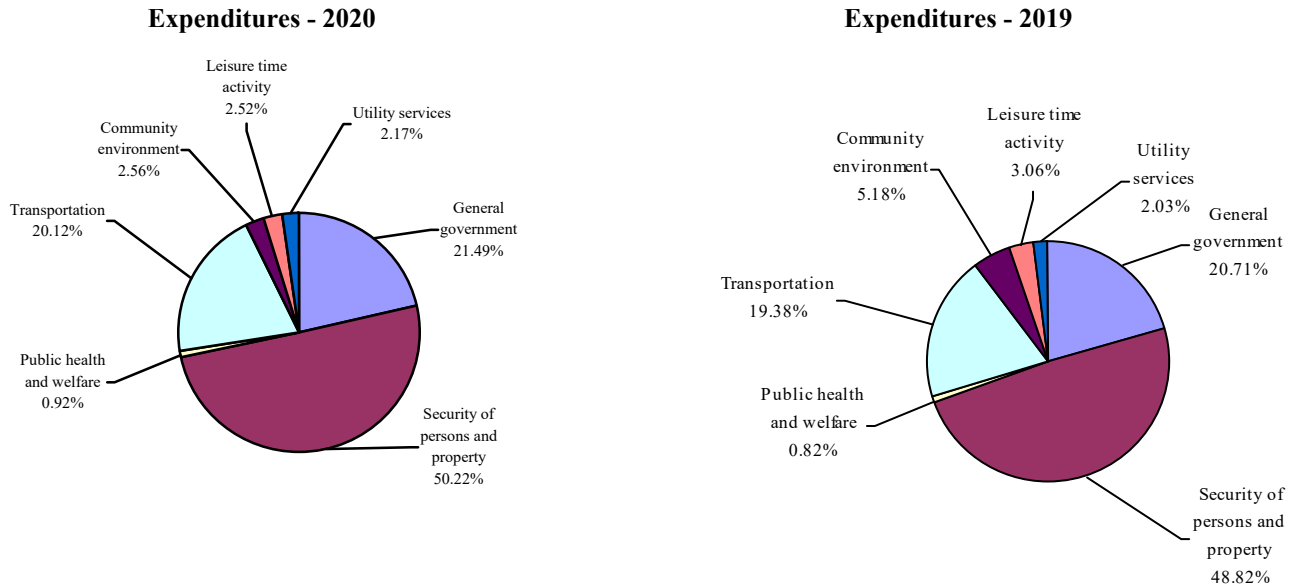
CITY OF FAIRLAWN, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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

	<u>2020</u> <u>Amount</u>	<u>2019</u> <u>Amount</u>	<u>Percentage</u> <u>Change</u>
<u>Expenditures</u>			
General government	\$ 2,711,076	\$ 2,912,263	(6.91) %
Security of persons and property	6,336,148	6,865,934	(7.72) %
Public health and welfare	116,099	115,717	0.33 %
Transportation	2,538,569	2,724,694	(6.83) %
Community environment	323,607	728,118	(55.56) %
Leisure time activity	318,436	430,056	(25.95) %
Utility services	<u>273,385</u>	<u>285,614</u>	(4.28) %
Total	<u>\$ 12,617,320</u>	<u>\$ 14,062,396</u>	(10.28) %

The general fund’s resources were primarily used for general government, security of persons and property, and transportation purposes, which accounted for 91.83% of all general fund expenditures in 2020. Expenditures incurred a decrease of 10.28% from 2019. The decrease is primarily due to COVID-19 and the City’s efforts to control expenditures.



Capital Improvement Fund

The capital improvement fund had revenues and other financing sources of \$3,404,512 in 2020. The expenditures of the capital improvement fund totaled \$2,015,199 in 2020. The net increase in fund balance for the capital improvement fund was \$1,389,313 or 35.45%, primarily due to income tax revenues outpacing expenditures during the current year.

Federal Capital Grants Fund

The federal capital grants fund had revenues of \$1,615,785 in 2020. The expenditures of the federal capital grants fund totaled \$2,277,400 in 2020. The net decrease in fund balance for the federal capital grants fund was \$661,615, primarily due to an increase in capital outlay expenditures for the widening of Cleveland-Massillon Road.

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020

Budgeting Highlights

Budgetary information is presented for the general fund on page 24. The final budget reflects revenues and other financing sources that were \$682,065, or 4.37%, lower than the original budget. Actual revenues and other financing sources were \$159,380 or 1.02% lower than the original budget and \$522,685 or 3.51% more than the final budget. The revenue category with the largest positive variance was income taxes, with actual revenues exceeding the final budget by 5.98%. The \$473,335 revenue surplus in this category resulted from the City's utilization of conservative revenue estimates.

During 2020, actual expenditures (including current year encumbrances) were \$3,172,786 or 17.06% under the original budget and \$2,092,179 or 11.94% less than the final budget. Actual general government expenditures were \$295,777 or 7.87% less than the original budget and \$611,281 or 15.01% less than the final budget. The security of persons and property original and final budgets exceeded actual expenditures by 19.12% and 11.87%, respectively, while actual transportation expenditures were 10.78% and 11.34% under the respective original and final budgets.

The original budget, as adopted by Council, called for a structural deficit (i.e. expenditures in excess of revenues) of approximately \$3,008,710 with the final adopted budget calling for a \$2,610,168 deficit. However, the combination of controlled discretionary spending, when possible, and favorable income tax collections resulted in the general fund ending the year with a net increase in fund balance of \$4,696.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, but in more detail. Net position for the City's broadband fund at the end of the year increased 43.65% to \$15,281,160, while total assets increased to \$19,065,226. These increases resulted from intergovernmental grants received during 2020.

Capital Assets and Debt Administration

Capital Assets

At the end of 2020, the City had \$69,722,503 (net of accumulated depreciation) invested in governmental and business-type capital assets, consisting of land, construction in progress, buildings and improvements, land improvements, licensed vehicles, machinery and equipment, and infrastructure. In total, capital assets (net of accumulated depreciation) increased by \$4,429,017 or 6.78%. The following table presents the City's capital assets, net of depreciation at December 31, 2020 and 2019.

**Capital Assets at December 31
(Net of Depreciation)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Land	\$ 3,618,282	\$ 3,580,282	\$ -	\$ -	\$ 3,618,282	\$ 3,580,282
Construction in progress	2,807,574	732,001	-	-	2,807,574	732,001
Buildings and improvements	8,042,408	8,318,587	-	-	8,042,408	8,318,587
Land improvements	1,843,214	1,752,014	-	-	1,843,214	1,752,014
Licensed vehicles	1,231,535	1,208,337	34,871	-	1,266,406	1,208,337
Machinery and equipment	1,487,476	1,626,032	2,893,756	2,927,283	4,381,232	4,553,315
Infrastructure	36,458,446	37,883,388	11,304,941	7,265,562	47,763,387	45,148,950
Totals	\$ 55,488,935	\$ 55,100,641	\$ 14,233,568	\$ 10,192,845	\$ 69,722,503	\$ 65,293,486

CITY OF FAIRLAWN, OHIO

**MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Major capital asset events during the current year included the following:

- On-going construction of the widening of Cleveland-Massillon Road (\$2,157,162)
- Replacement of an ambulance (\$254,444)
- Completion of Glacier’s Edge Stream and Wetland Restoration Phase 2 (\$198,427)
- Replacement of sanitary sewer system near South Miller Road (\$116,556)
- On-going construction of the FairlawnGig municipal broadband utility system (\$4,347,395)

See Note 9 to the basic financial statements for additional capital asset detail.

Debt Administration

The City had the following long-term obligations outstanding at December 31, 2020 and 2019:

	<u>Governmental Activities</u>	
	<u>2020</u>	<u>2019</u>
General obligation bonds	\$ 725,000	\$ 1,080,000
Notes payable	479,592	535,690
Capital lease	<u>9,305,000</u>	<u>9,525,000</u>
Total long-term obligations	<u>\$ 10,509,592</u>	<u>\$ 11,140,690</u>

See Note 10 to the basic financial statements for detail on the City’s long-term obligations.

Economic Conditions and Next Year’s General Fund Budget Outlook

The City is a residential community with an extensive business base. The City is home to several large corporations, a multitude of small, diverse businesses, and five thriving retail centers, including Summit Mall, Rosemont Commons, The Shops at Fairlawn, the Fairlawn Towne Center, and Miller-Market Square. The City’s convenient location continues to attract and retain growing businesses.

The City controls the development and zoning of land for commercial (for example, retail and office) and residential use in the City’s land use plan which has been recently updated. The purpose of the plan is to assure that the City’s infrastructure can fully serve the anticipated uses for the land in each area. In addition, the plan calls for buffering zones which protect and maintain the stability of residential areas in the City. The City does not permit industrial or manufacturing uses in its zoning code.

The City has established a strong corporate office presence. It is currently home to several corporate headquarters, as well as accounting, legal and construction development offices. The City formed a Community Improvement Corporation (CIC) in 2010 to expand its economic development capabilities and to attract and retain businesses.

The City is proud to offer outstanding city services to its residents. In addition to excellent police and fire protection, Fairlawn safety forces are active in the community, offering education programs such as Fire Prevention and Safety Town for our youngest residents. Fairlawn police support neighborhood Block Parent groups, offer residential checks and a Senior Call program to check on senior citizens living alone. The popular Special Traffic Enforcement Program boosts traffic control where residents most see a need. The City’s highly trained emergency medical teams are outfitted with advanced medical equipment and provide free emergency medical care to Fairlawn residents. The Municipal Service Center Complex houses all public service functions and equipment in one area, including the FairlawnGig utility. FairlawnGig is the City’s municipal broadband utility, providing wireless and fiber optic broadband internet services to residential and commercial users located within the City and JEDD. The City provides trash and recycling services at no charge to residents at the Andrew Sombati Compactor site, an all-weather drive-thru trash compactor facility.

CITY OF FAIRLAWN, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020

The City operates seventy (70) acres of parks which offer year-round recreational programs for children and adults. The Learning Resource Center, staffed with a full-time Naturalist, offers nature-related programs and lectures to groups of all ages. Fairlawn Park offers adult and youth soccer fields and a community garden.

In an effort to further assist its long-term planning and purchasing of large capital goods, the City has prepared and implemented a rolling, five-year capital plan. This plan sets forth anticipated needs for infrastructure improvements, heavy equipment, and other large expenditure items. Each department head is required to submit a plan for his or her department's needs in this regard. Each plan is subject to review by the City administration and Council. The purpose of the plan is to help insure the City against any unanticipated expenditures. The plan itself is updated annually which allows the City to continually plan for these expenditures for at least five years in the future. This plan has provided stability to the City's long-term planning and has also enabled the City to have a more realistic approach to its budgeting process.

The City's primary revenue source is the 2% local income tax withheld on the estimated 40,000 people working in the City. Income tax collections, net of shared revenue due to the City of Akron, decreased 4.6% in 2020, as the local economy suffered from the strain of the COVID-19 pandemic. The temporary shutdown of businesses and ongoing restrictions placed on others contributed to an overall decrease of 3.9% in withholding taxes and 7.3% in net profit taxes.

The City is projecting a 12.8% decrease in general fund revenues in 2021, net of interfund transfers and advances, due to the ongoing COVID-19 pandemic. While general fund expenditures for 2021, net of interfund transfers and advances, are budgeted at 1.4% less than 2020 final budget. Programs supported by the general fund are budgeted at the same level of service as last year.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Mr. Mark H. Ludwig, Finance Director, City of Fairlawn, 3487 South Smith Road, Fairlawn, Ohio 44333.

BASIC
FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF FAIRLAWN, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Community Improvement Corporation of Fairlawn
Assets:				
Equity in pooled cash, cash equivalents, and investments	\$ 21,426,038	\$ 4,134,059	\$ 25,560,097	\$ 28,572
Cash and cash equivalents in segregated accounts	4,136	-	4,136	-
Cash and cash equivalents with fiscal agent	82	-	82	-
Receivables:				
Income taxes	2,968,842	-	2,968,842	-
Real and other taxes	1,014,573	-	1,014,573	-
Payments in lieu of taxes	84,103	-	84,103	-
Accounts	642,233	113,195	755,428	-
Special assessments	402,884	-	402,884	-
Due from other governments	1,885,402	52	1,885,454	-
Loans receivable	-	-	-	300,000
Materials and supplies inventory	574,013	247,723	821,736	-
Prepayments	301,848	336,622	638,470	1,280
Net pension asset	111	7	118	-
Capital assets:				
Land and construction in progress	6,425,856	-	6,425,856	-
Depreciable capital assets, net	49,063,079	14,233,568	63,296,647	-
Total capital assets, net	55,488,935	14,233,568	69,722,503	-
Total assets	84,793,200	19,065,226	103,858,426	329,852
Deferred outflows of resources:				
Pension	2,594,335	131,086	2,725,421	-
OPEB	1,709,978	76,411	1,786,389	-
Total deferred outflows of resources	4,304,313	207,497	4,511,810	-
Total assets and deferred outflows of resources	89,097,513	19,272,723	108,370,236	329,852
Liabilities:				
Accounts payable	337,959	227,833	565,792	-
Contracts payable	505,496	2,043,800	2,549,296	-
Retainage payable	199,945	-	199,945	-
Accrued wages and benefits payable	89,446	2,502	91,948	-
Compensated absences payable	81,401	325	81,726	-
Due to other governments	310,675	916,186	1,226,861	-
Unearned revenue	-	202,529	202,529	-
Accrued interest payable	44,950	-	44,950	-
Long-term liabilities:				
Due within one year	1,261,567	15,331	1,276,898	-
Due in more than one year:				
Net pension liability	13,990,541	285,694	14,276,235	-
Net OPEB liability	4,385,263	186,927	4,572,190	-
Other amounts	11,507,623	23,217	11,530,840	-
Total liabilities	32,714,866	3,904,344	36,619,210	-
Deferred inflows of resources:				
Property taxes levied for the next fiscal year	914,332	-	914,332	-
PILOTS levied for the next fiscal year	84,103	-	84,103	-
Pension	2,474,123	60,604	2,534,727	-
OPEB	1,109,194	26,615	1,135,809	-
Total deferred inflows of resources	4,581,752	87,219	4,668,971	-
Total liabilities and deferred inflows of resources	37,296,618	3,991,563	41,288,181	-
Net position:				
Net investment in capital assets	53,541,941	12,189,768	65,731,709	-
Restricted for:				
Capital projects	5,871,580	-	5,871,580	-
Other purposes	1,441,904	-	1,441,904	-
Unrestricted (deficit)	(9,054,530)	3,091,392	(5,963,138)	329,852
Total net position	\$ 51,800,895	\$ 15,281,160	\$ 67,082,055	\$ 329,852

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Program Revenues				Net (Expense) Revenues and Changes in Net Position			Component Unit Improvement Corporation of Fairlawn
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Governmental activities:								
Current:								
General government	\$ 2,983,873	\$ 741,736	\$ 38,000	\$ -	\$ (2,204,137)	\$ -	\$ (2,204,137)	\$ -
Security of persons and property	9,130,642	347,421	831,762	-	(7,951,459)	-	(7,951,459)	-
Public health and welfare	116,099	-	-	-	(116,099)	-	(116,099)	-
Transportation	4,723,705	282,617	404,531	2,348,546	(1,688,011)	-	(1,688,011)	-
Community environment	455,717	57,079	-	-	(398,638)	-	(398,638)	-
Leisure time activity	434,073	3,471	-	-	(430,602)	-	(430,602)	-
Utility services	1,268,395	132,863	-	-	(1,135,532)	-	(1,135,532)	-
Other	55,020	-	-	-	(55,020)	-	(55,020)	-
Interest and fiscal charges	369,172	-	-	-	(369,172)	-	(369,172)	-
Total governmental activities	<u>\$ 19,536,696</u>	<u>\$ 1,565,187</u>	<u>\$ 1,274,293</u>	<u>\$ 2,348,546</u>	<u>(14,348,670)</u>	<u>-</u>	<u>(14,348,670)</u>	<u>-</u>
Business-type activities:								
Broadband	<u>3,221,015</u>	<u>2,236,175</u>	<u>13,296</u>	<u>5,615,065</u>	<u>-</u>	<u>4,643,521</u>	<u>4,643,521</u>	<u>-</u>
Total primary government	<u>\$ 22,757,711</u>	<u>\$ 3,801,362</u>	<u>\$ 1,287,589</u>	<u>\$ 7,963,611</u>	<u>(14,348,670)</u>	<u>4,643,521</u>	<u>(9,705,149)</u>	<u>-</u>
Component Unit:								
Community Improvement Corporation of Fairlawn	<u>\$ 440,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(440,690)</u>
General revenues:								
Property taxes levied for:								
General purposes					796,397	-	796,397	-
Police and fire pension					198,947	-	198,947	-
Income taxes levied for:								
General purposes					9,152,383	-	9,152,383	-
Capital outlay					3,064,770	-	3,064,770	-
Payments in lieu of taxes					24,416	-	24,416	-
Grants and entitlements not restricted to specific programs					1,030,562	-	1,030,562	-
JEDD revenues					3,732,049	-	3,732,049	-
Investment earnings					124,956	-	124,956	-
Miscellaneous					554,641	-	554,641	-
Total general revenues					<u>18,679,121</u>	<u>-</u>	<u>18,679,121</u>	<u>-</u>
Change in net position					4,330,451	4,643,521	8,973,972	(440,690)
Net position at beginning of year					<u>47,470,444</u>	<u>10,637,639</u>	<u>58,108,083</u>	<u>770,542</u>
Net position at end of year					<u>\$ 51,800,895</u>	<u>\$ 15,281,160</u>	<u>\$ 67,082,055</u>	<u>\$ 329,852</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	<u>General</u>	<u>Capital Improvement</u>	<u>Federal Capital Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:					
Equity in pooled cash, cash equivalents, and investments	\$ 14,777,915	\$ 4,717,259	\$ 186,672	\$ 1,744,192	\$ 21,426,038
Cash and cash equivalents in segregated accounts	3,911	-	-	225	4,136
Cash and cash equivalents with fiscal agent	-	82	-	-	82
Receivables:					
Income taxes	2,226,632	742,210	-	-	2,968,842
Real and other taxes	790,055	-	-	224,518	1,014,573
Payments in lieu of taxes	-	-	-	84,103	84,103
Accounts	638,802	-	-	3,431	642,233
Special assessments	-	320,867	-	82,017	402,884
Due from other funds	566,743	-	-	-	566,743
Due from other governments	745,645	210,598	717,366	211,793	1,885,402
Materials and supplies inventory	574,013	-	-	-	574,013
Prepayments	252,545	49,303	-	-	301,848
Total assets	<u>\$ 20,576,261</u>	<u>\$ 6,040,319</u>	<u>\$ 904,038</u>	<u>\$ 2,350,279</u>	<u>\$ 29,870,897</u>
Liabilities:					
Accounts payable	\$ 212,842	\$ 23,023	\$ 97,922	\$ 4,172	\$ 337,959
Contracts payable	-	60,777	444,719	-	505,496
Retainage payable	-	39,989	159,956	-	199,945
Accrued wages and benefits payable	89,446	-	-	-	89,446
Compensated absences payable	81,401	-	-	-	81,401
Due to other funds	-	-	413,719	153,024	566,743
Due to other governments	214,827	-	-	95,848	310,675
Total liabilities	<u>598,516</u>	<u>123,789</u>	<u>1,116,316</u>	<u>253,044</u>	<u>2,091,665</u>
Deferred inflows of resources:					
Property taxes levied for the next fiscal year	711,146	-	-	203,186	914,332
Delinquent property tax revenue not available	74,612	-	-	21,332	95,944
PILOTS levied for the next fiscal year	-	-	-	84,103	84,103
Special assessments revenue not available	-	320,867	-	82,017	402,884
Miscellaneous revenue not available	339,332	-	-	3,111	342,443
Income tax revenue not available	860,195	286,731	-	-	1,146,926
Intergovernmental revenue not available	124,706	-	509,980	178,151	812,837
JEDD revenues not available	592,369	-	-	-	592,369
Total deferred inflows of resources	<u>2,702,360</u>	<u>607,598</u>	<u>509,980</u>	<u>571,900</u>	<u>4,391,838</u>
Total liabilities and deferred inflows of resources	<u>3,300,876</u>	<u>731,387</u>	<u>1,626,296</u>	<u>824,944</u>	<u>6,483,503</u>
Fund balances:					
Nonspendable	846,196	49,303	-	-	895,499
Restricted	-	5,259,629	-	1,658,816	6,918,445
Committed	5,000	-	-	-	5,000
Assigned	2,705,411	-	-	-	2,705,411
Unassigned (deficit)	13,718,778	-	(722,258)	(133,481)	12,863,039
Total fund balances (deficit)	<u>17,275,385</u>	<u>5,308,932</u>	<u>(722,258)</u>	<u>1,525,335</u>	<u>23,387,394</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 20,576,261</u>	<u>\$ 6,040,319</u>	<u>\$ 904,038</u>	<u>\$ 2,350,279</u>	<u>\$ 29,870,897</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2020

Total governmental fund balances		\$ 23,387,394
<i>Amounts reported for governmental activities on the Statement of Net Position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		55,488,935
Other long-term assets are not available to pay for current- period expenditures and therefore are deferred inflows in the funds.		
Income taxes receivable	\$ 1,146,926	
Real and other taxes receivable	97,926	
Accounts receivable	340,461	
Special assessments receivable	402,884	
Due from other governments	<u>1,405,206</u>	
Total		3,393,403
The net pension asset is not available to pay for current period expenditures; therefore, the asset is not reported in the governmental funds.		111
The net pension/OPEB liability is not due and payable in the current period; therefore, liability and related deferred inflows and outflows are not reported in governmental funds.		
Deferred outflows - pension	2,594,335	
Deferred outflows - OPEB	1,709,978	
Deferred inflows - pension	(2,474,123)	
Deferred inflows - OPEB	(1,109,194)	
Net pension liability	(13,990,541)	
Net OPEB liability	<u>(4,385,263)</u>	
Total		(17,654,808)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Accrued interest payable	(44,950)	
General obligation bonds payable	(725,000)	
Unamortized premium on bond issuance	(36,961)	
Notes payable	(479,592)	
Capital lease payable	(9,305,000)	
Unamortized premium on capital lease issuance	(548,251)	
Compensated absences	<u>(1,674,386)</u>	
Total		<u>(12,814,140)</u>
Net position of governmental activities		<u><u>\$ 51,800,895</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>General</u>	<u>Capital Improvement</u>	<u>Federal Capital Grants</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Income taxes	\$ 8,760,745	\$ 2,934,225	\$ -	\$ -	\$ 11,694,970
Real and other taxes	732,012	-	-	180,636	912,648
Charges for services	656,643	-	-	129,906	786,549
Licenses and permits	182,061	-	-	-	182,061
Fines and forfeitures	76,150	-	-	7,906	84,056
Intergovernmental	1,018,216	233,429	1,615,785	1,271,850	4,139,280
Special assessments	-	31,814	-	27,596	59,410
Investment income	120,916	44	-	4,040	125,000
Rental income	64,732	-	-	-	64,732
Contributions and donations	101	-	-	-	101
JEDD revenues	3,496,085	-	-	-	3,496,085
Payments in lieu of taxes	-	-	-	24,416	24,416
Other	477,774	-	-	74,784	552,558
Total revenues	<u>15,585,435</u>	<u>3,199,512</u>	<u>1,615,785</u>	<u>1,721,134</u>	<u>22,121,866</u>
Expenditures:					
Current:					
General government	2,711,076	-	-	19,019	2,730,095
Security of persons and property	6,336,148	-	-	1,471,395	7,807,543
Public health and welfare	116,099	-	-	-	116,099
Transportation	2,538,569	-	-	563,602	3,102,171
Community environment	323,607	-	-	100,025	423,632
Leisure time activity	318,436	-	-	-	318,436
Utility services	273,385	-	-	237,649	511,034
Other	-	-	-	55,020	55,020
Capital outlay	-	972,766	2,277,400	-	3,250,166
Debt service:					
Principal retirement	-	631,098	-	-	631,098
Interest and fiscal charges	-	411,335	-	-	411,335
Total expenditures	<u>12,617,320</u>	<u>2,015,199</u>	<u>2,277,400</u>	<u>2,446,710</u>	<u>19,356,629</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,968,115</u>	<u>1,184,313</u>	<u>(661,615)</u>	<u>(725,576)</u>	<u>2,765,237</u>
Other financing sources (uses):					
Sale of capital assets	1,476	5,000	-	-	6,476
Transfers in	-	200,000	-	636,100	836,100
Transfers (out)	<u>(836,100)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(836,100)</u>
Total other financing sources (uses)	<u>(834,624)</u>	<u>205,000</u>	<u>-</u>	<u>636,100</u>	<u>6,476</u>
Net change in fund balances	2,133,491	1,389,313	(661,615)	(89,476)	2,771,713
Fund balances at beginning of year	15,156,033	3,919,619	(60,643)	1,614,811	20,629,820
Decrease in reserve for inventory	<u>(14,139)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(14,139)</u>
Fund balances at end of year	<u>\$ 17,275,385</u>	<u>\$ 5,308,932</u>	<u>\$ (722,258)</u>	<u>\$ 1,525,335</u>	<u>\$ 23,387,394</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, 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, 2020

Net change in fund balances - total governmental funds \$ 2,771,713

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.

Capital asset additions	\$ 2,764,858	
Current year depreciation	<u>(2,321,314)</u>	
Total		443,544

The net effect of various transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to increase net position. (55,250)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Income taxes	522,183	
Real and other taxes	84,678	
Charges for services	121,345	
Licenses and permits	3,063	
Intergovernmental revenues	476,077	
Special assessments	264,004	
JEDD revenues	235,964	
Other	<u>(33)</u>	
Total		1,707,281

Governmental funds report expenditures for inventory when purchased. However, in the Statement of Activities, they are reported as an expense when consumed. (14,139)

Repayment of bond and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the Statement of Net Position. 631,098

In the Statement of Activities, interest is accrued on outstanding bonds and capital leases, whereas in governmental funds, an interest expenditure is reported when due.

Accrued interest payable	2,595	
Amortization of premium on bonds	18,481	
Amortization of premium on capital lease	<u>21,086</u>	
Total		42,162

Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the Statement of Activities reports these amounts as deferred outflows.

Pension contributions	1,337,838	
OPEB contributions	<u>20,169</u>	
Total		1,358,007

Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the Statement of Activities.

Changes in net pension liability	(1,906,857)	
Changes in net OPEB liability	<u>(493,099)</u>	
Total		(2,399,956)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (154,009)

Change in net position of governmental activities \$ 4,330,451

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 GENERAL FUND
 FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Income taxes	\$ 8,867,977	\$ 7,917,977	\$ 8,391,312	\$ 473,335
Real and other taxes	929,420	725,985	747,972	21,987
Charges for services	420,524	392,523	400,832	8,309
Licenses and permits	173,360	181,929	184,790	2,861
Fines and forfeitures	134,140	72,424	72,425	1
Intergovernmental	419,000	1,026,998	1,026,546	(452)
Investment income	311,640	118,443	120,916	2,473
Rental income	63,790	57,003	64,732	7,729
Contributions and donations	-	-	101	101
JEDD revenues	3,560,320	3,803,404	3,803,405	1
Other	284,710	457,439	463,778	6,339
Total revenues	<u>15,164,881</u>	<u>14,754,125</u>	<u>15,276,809</u>	<u>522,684</u>
Expenditures:				
Current:				
General government	3,757,300	4,072,804	3,461,523	611,281
Security of persons and property . .	8,357,392	7,669,840	6,759,460	910,380
Public health and welfare	123,500	123,500	116,099	7,401
Transportation	3,195,328	3,215,584	2,850,908	364,676
Community environment	452,466	422,876	343,385	79,491
Leisure time activity	509,306	443,322	357,000	86,322
Utility services	340,749	330,749	298,121	32,628
Total expenditures	<u>16,736,041</u>	<u>16,278,675</u>	<u>14,186,496</u>	<u>2,092,179</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,571,160)</u>	<u>(1,524,550)</u>	<u>1,090,313</u>	<u>2,614,863</u>
Other financing sources (uses):				
Sale of capital assets	-	1,475	1,476	1
Advances in	425,750	152,966	152,966	-
Advances (out)	(131,000)	(403,959)	(403,959)	-
Transfers (out)	(1,732,300)	(836,100)	(836,100)	-
Total other financing sources (uses) . . .	<u>(1,437,550)</u>	<u>(1,085,618)</u>	<u>(1,085,617)</u>	<u>1</u>
Net change in fund balances	(3,008,710)	(2,610,168)	4,696	2,614,864
Fund balances at beginning of year . .	12,171,688	12,171,688	12,171,688	-
Prior year encumbrances appropriated	<u>1,148,440</u>	<u>1,148,440</u>	<u>1,148,440</u>	<u>-</u>
Fund balance at end of year	<u>\$ 10,311,418</u>	<u>\$ 10,709,960</u>	<u>\$ 13,324,824</u>	<u>\$ 2,614,864</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUND
 DECEMBER 31, 2020

	Business-type Activities - Enterprise Fund
	Broadband
Assets:	
Current assets:	
Equity in pooled cash, cash equivalents, and investments . . .	\$ 4,134,059
Receivables:	
Accounts	113,195
Due from other governments	52
Materials and supplies inventory	247,723
Prepayments	336,622
Total current assets	<u>4,831,651</u>
Noncurrent assets:	
Net pension asset	7
Capital assets:	
Depreciable capital assets, net	14,233,568
Total noncurrent assets	<u>14,233,575</u>
Total assets	<u>19,065,226</u>
Deferred outflows of resources:	
Pension	131,086
OPEB	76,411
Total deferred outflows of resources	<u>207,497</u>
Total assets and deferred outflows of resources	<u>19,272,723</u>
Liabilities:	
Current liabilities:	
Accounts payable	227,833
Contracts payable	2,043,800
Accrued wages and benefits payable	2,502
Due to other governments	916,186
Compensated absences payable - current	325
Unearned revenue	202,529
Total current liabilities	<u>3,393,175</u>
Long-term liabilities:	
Compensated absences payable	38,548
Net pension liability	285,694
Net OPEB liability	186,927
Total long-term liabilities	<u>511,169</u>
Total liabilities	<u>3,904,344</u>
Deferred inflows of resources:	
Pension	60,604
OPEB	26,615
Total deferred inflows of resources	<u>87,219</u>
Total liabilities and deferred inflows of resources	<u>3,991,563</u>
Net position:	
Net investment in capital assets	12,189,768
Unrestricted	3,091,392
Total net position	<u>\$ 15,281,160</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED DECEMBER 31, 2020

	Business-type Activities - Enterprise Fund
	Broadband
Operating revenues:	
Charges for services	\$ 2,236,175
Other operating revenues	3,987
Total operating revenues	2,240,162
Operating expenses:	
Personal services	405,129
Fringe benefits	116,550
Contract services	1,676,379
Materials and supplies	488,216
Depreciation	525,791
Other	8,950
Total operating expenses	3,221,015
Operating loss	(980,853)
Nonoperating revenues:	
Intergovernmental	9,309
(Loss) before contributions	(971,544)
Capital contributions	5,615,065
Change in net position	4,643,521
Net position at beginning of year	10,637,639
Net position at end of year	\$ 15,281,160

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2020

	<u>Business-type Activities - Enterprise Fund</u>
	<u>Broadband</u>
Cash flows from operating activities:	
Cash received from sales/charges for services	\$ 2,411,221
Cash received from other operations	4,162
Cash payments for contractual services	(1,876,282)
Cash payments for personal services	(246,054)
Cash payments for fringe benefits	(119,895)
Cash payments for materials and supplies	(524,689)
Cash payments for other expenses	(6,888)
	<u>(358,425)</u>
Net cash used in operating activities	
Cash flows from noncapital financing activities:	
Cash received from grants	9,257
	<u>9,257</u>
Net cash provided by financing activities	
Cash flows from capital and related financing activities:	
Acquisition of capital assets	(2,699,252)
Capital contributions	6,500,000
	<u>3,800,748</u>
Net cash provided by capital and related financing activities	
Net increase in cash, cash equivalents, and investments	3,451,580
Cash, cash equivalents, and investments at beginning of year	682,479
Cash, cash equivalents, and investments at end of year	\$ 4,134,059
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (980,853)
Adjustments:	
Depreciation	525,791
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(Increase) in materials and supplies inventory	(1,524)
(Increase) in accounts receivable	(27,483)
Decrease in intergovernmental receivable	175
(Increase) in prepayments	(1,510)
(Increase) in net pension asset	(4)
(Increase) in deferred outflows of resources - pension	(13,262)
(Increase) in deferred outflows of resources - OPEB	(39,838)
(Decrease) in accounts payable	(85,380)
Increase in contracts payable	(156,456)
(Decrease) in accrued wages and benefits	(4,556)
Increase in intergovernmental payable	11,347
Increase in compensated absences payable	8,928
Increase in unearned revenue	202,529
Increase in net pension liability	41,785
Increase in net OPEB liability	78,165
Increase in deferred inflows of resources - pension	57,401
Increase in deferred inflows of resources - OPEB	26,320
	<u>26,320</u>
Net cash used in operating activities	\$ (358,425)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF FIUCIARY NET POSITION
FIDUCIARY FUND
DECEMBER 31, 2020

	<u>Custodial</u>
Assets:	
Receivables:	
Fines and forfeitures for other governments	<u>\$ 21,760</u>
Total assets	<u>21,760</u>
 Net position:	
Restricted for other governments	<u>21,760</u>
Total net position	<u><u>\$ 21,760</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUND
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Custodial
Additions:	
Fines and forfeitures for other governments	\$ 28,927
Total additions	28,927
Deductions:	
Fines and forfeitures distributions to other governments	26,205
Total deductions	26,205
Net change in fiduciary net position	2,722
Net position beginning of year	19,038
Net position end of year	\$ 21,760

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 1 – DESCRIPTION OF THE CITY

The City of Fairlawn (the “City”) is a charter municipal corporation established and operated under the laws of the State of Ohio. The City is organized as a Mayor/Council form of government. The Mayor, Council and Finance Director are elected.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to 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. Reporting Entity

For financial reporting purposes, the City’s basic financial statements include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization’s governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s basic financial statements to be misleading or incomplete. The City has one component unit.

Community Improvement Corporation of Fairlawn, Ohio - The Community Improvement Corporation of Fairlawn, Ohio (the “CIC”) was formed pursuant to Ordinance 2010-030 passed June 21, 2010 and incorporated as a corporation not-for-profit under Title XVII, Chapters 1702 and 1724 of the Ohio Revised Code for the purpose to advance, encourage, and promote industrial, economic, commercial and civic development of the City of Fairlawn. The CIC has been designated as the City of Fairlawn’s agent for industrial, commercial, distribution, and research development. The Board of Trustees of the CIC is to be comprised of no less than five members: three City representatives (the Mayor, the Council President, and the Finance Director) and two or more additional members appointed by a majority of the Board of Trustees. At all times, no less than two-fifths of the members shall be elected or appointed officials of the City. The CIC is also dependent on the City for financial support and is therefore presented as a component unit of the City. The CIC began operations on July 24, 2012. Financial statements can be obtained from the City of Fairlawn, Department of Finance, 3487 S. Smith Road, Fairlawn, Ohio 44333, and further disclosures for the discretely presented component unit can be found in Note 21.

The City provides various services including police and fire protection, emergency medical, recreation (including parks), planning, zoning, street maintenance and repair, general administrative services, and broadband utility services. The operation of each of these activities is directly controlled by the Council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

The Copley/Fairlawn City School District and the Akron-Summit County Public Library have been excluded from the City’s financial statements. Both are legally separate from the City. Neither imposes a financial burden nor provides a financial benefit to the City. The City cannot significantly influence the operations of these entities.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

The City participates in the Bath-Akron-Fairlawn Joint Economic Development District (JEDD), which is a jointly governed organization. The JEDD was created to assure the continued economic viability of Bath Township. A nine-member board of directors, three appointed from Bath Township, Akron, and Fairlawn, respectively, controls the operation of the JEDD. The board exercises total control over the operation of the JEDD including budgeting, appropriating, contracting and designating management.

Each participant's degree of control is limited to its representation on the board. All 2020 JEDD revenues were the result of the income tax levied by the JEDD effective January 1, 1999.

B. Basis of Presentation – Fund Accounting

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

Government-wide Financial Statements - The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the City 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. Fiduciary funds are reported by type.

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

C. Fund Accounting

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

Governmental Funds - Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred outflows are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows 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.

Capital Improvement Fund - This fund is used to account for the acquisition and construction of major capital facilities.

Federal Capital Grants Fund - This fund is used to account for the federal grant monies used for various capital projects throughout the City.

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

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. The City's only proprietary fund is an enterprise fund.

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 is the City's only enterprise fund:

Broadband Fund - The broadband fund accounts for the activities of FairlawnGig, the City's municipal broadband utility, which provides wireless and fiber optic broadband internet services to the residents and commercial users located within the City and JEDD.

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City has no trust funds. The City's only fiduciary fund is a custodial fund. The custodial fund is used to account for fines and fees collected and distributed through the Mayor's Court for the benefit of other governments.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

D. Measurement Focus and Basis of Accounting

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

Fund Financial Statements - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows and current liabilities and deferred inflows generally are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The Statement of Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

E. Basis of Accounting

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

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

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, local government funds and permissive tax), fines and forfeitures, fees, and special assessments.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide Statement of Net Position will report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources have been reported for the following items related to the City's net pension/OPEB liability: (1) the net difference between projected and actual investment earnings on pension/OPEB plan assets; (2) the City's contributions to the pension/OPEB systems subsequent to the measurement date; (3) differences between employer's contributions and the employer's proportional share of contributions; and (4) differences between expected and actual experience.

In addition to liabilities, both the government-wide Statement of Net Position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of revenue, and unavailable revenue. Property taxes and payments in lieu of revenue represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance 2021 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide Statement of Net Position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes, but is not limited to, delinquent property taxes, special assessments, income taxes, intergovernmental grants, and JEDD revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

The City also reports deferred inflow of resources for the following items related to the City's net pension/OPEB liability: (1) differences between expected and actual experience and (2) differences between employer's contributions and the employer's proportional share of contributions. These deferred inflows of resources are only reported on the government-wide Statement of Net Position.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

F. Budgetary Data

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget (or the alternative tax budget as permitted by law), the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than the custodial fund, are legally required to be budgeted and appropriated. The legal level of budgetary control established by Council separately identifies the amounts appropriated for personal services, interfund transactions, capital purchases, and other object level items within each fund. Budgetary modifications may only be made by an ordinance of Council at the legal level of control.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

Tax Budget – Alternative tax budget information of estimated revenue and expenditures for all funds is submitted to the Summit County Fiscal Officer, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except the custodial fund, are legally required to be budgeted; however, only governmental funds are legally required to be reported.

Estimated Resources - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include encumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The amounts reported on the budgetary statement reflect the amounts in the original and final amended official certificate of estimated resources issued during 2020.

Appropriations - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority for each department, separately identifying the amount appropriated for personal services, interfund transactions, capital purchases, and other object level items. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of Council. The amounts on the budgetary statement reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by Council.

Encumbrances - 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. On the GAAP basis, encumbrances outstanding at year end are reported as assigned, committed, or restricted fund balances for subsequent-year expenditures for governmental funds.

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

G. Cash, Cash Equivalents, and Investments

Cash balances of the City's funds are pooled and invested in investments maturing within five years in order to provide improved cash management. Individual fund integrity is maintained through City records. Each fund's interest in the pooled bank account is presented on the Balance Sheet as "Equity in pooled cash, cash equivalents, and investments" on the financial statements.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

During 2020, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2020, 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 \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During 2020, interest revenue credited to the general fund amounted to \$120,916, which includes \$43,189 assigned from other City funds.

The City has a segregated bank account for monies held separate from the City's central bank account. This noninterest bearing depository account is presented in the financial statements as "cash and cash equivalents in segregated accounts" since it is not required to be deposited into the City treasury.

The City utilizes a financial institution to hold the unspent proceeds of the City's lease agreement with the Development Finance Authority of Summit County. The balance in this account is presented on the financial statements as "cash and cash equivalents with fiscal agent" and represents deposits or short-term investments.

For purpose of presentation on the financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

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

H. Inventories of Materials and Supplies

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

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

Inventory consists of expendable supplies held for consumption.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

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

I. 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 values as of the date received. The City maintains a capitalization threshold of \$5,000. The City's infrastructure consists of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and improvements	15 - 50 years
Land improvements	25 - 75 years
Licensed vehicles	3 - 25 years
Machinery and equipment	5 - 30 years
Infrastructure	10 - 60 years

J. 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 accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the vesting method. The liability includes employees currently eligible to receive termination benefits and those the City has identified as probable of receiving benefits in the future. The amount is based on accumulated sick leave and the employees' wage rates at fiscal year-end, taking into consideration any limits specified in the City's termination policy. The City records a liability for accumulated unused sick leave for all employees hired before January 1, 2005.

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. The City had compensated absences payable of \$81,401 in the general fund in 2020.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

K. Accrued Liabilities and Long-Term Obligations

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

In general, 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 governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, notes, and capital leases are recognized as a liability on the governmental fund financial statements when due.

L. Interfund Balances

On fund financial statements, receivables and payables resulting from goods and services provided between funds are classified as “due to/from other funds.” 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.

M. Interfund Activity

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 the governmental funds and after nonoperating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

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 classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes unclaimed monies and year-end balances of materials and supplies inventories and prepaid assets.

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

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

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies or ordinances of the City Council or by State statute. State statute authorizes the Finance Director to assign fund balance for purchases on order, provided such amounts have been lawfully appropriated.

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

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

O. Estimates

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

P. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing 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 or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes includes limitations imposed for law enforcement, sewer maintenance, streets and highways maintenance, tax increment financing, energy improvement, and enforcement purposes. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Q. Prepaid Items

Prepayments made to vendors for services that will benefit future periods beyond December 31, 2020 are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which it was consumed.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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

R. Pensions/Other Postemployment Benefits (OPEB)

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

S. Fair Value Measurements

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

T. Contributions of Capital

Capital contributions on the proprietary fund financial statements arise from contributions from governmental activities, from outside contributions of capital assets, from grants, or from outside contributions of resources restricted to capital acquisition and construction. During 2020, the City's proprietary fund reported \$5,615,065 in capital contributions from grants.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2020, the City has applied GASB Statement No. 95, "Postponement of the Effective Dates of Certain Authoritative Guidance" to GASB Statement Nos. 87 and 89, which were originally due to be implemented in 2020. GASB Statement No. 95 provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

The following pronouncement is postponed by one year and the City has elected delaying implementation until the fiscal year ended December 31, 2021:

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

The following pronouncements are postponed by eighteen months and the City has elected delaying implementation until the fiscal year ended December 31, 2022:

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE – (Continued)

B. Deficit Fund Balances

Fund balances at December 31, 2020 included the following individual fund deficits:

<u>Major Fund:</u>	<u>Deficit</u>
Federal Capital Grants	\$ 722,258
<u>Nonmajor Fund:</u>	
Permissive Tax	133,481

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (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;
7. The State Treasurer’s investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers’ acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds 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;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and,
3. Obligations of the City.

Protection of the City’s deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the finance director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public moneys deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Historically, the City has not purchased these types of investments or issued these types of notes. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

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

A. Cash on Hand

At year end, the City had \$1,400 in undeposited cash on hand which is included on the financial statements of the City as part of “equity in pooled cash, cash equivalents, and investments.”

B. Cash in Segregated Accounts

At December 31, 2020, the City had \$4,136 in bank accounts outside of the City Treasury related to Mayor’s Court operations. These amounts are included on the financial statements as “cash and cash equivalents in segregated accounts” and are included in deposits with financial institutions below.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

C. Cash with Fiscal Agent

The City had \$82 in unspent lease proceeds in bank accounts outside of the City Treasury at year-end. These amounts are included on the financial statements as “cash and cash equivalents with fiscal agent” and represent uncollateralized deposits exposed to custodial credit risk, as discussed below.

D. Deposits with Financial Institutions

At December 31, 2020, the carrying amount of all City deposits was \$16,374,019 and the bank balance of all City deposits was \$16,953,034. Of the bank balance, \$2,926,786 was covered by the Federal Deposit Insurance Corporation (FDIC) and \$14,026,248 was covered by the Ohio Pooled Collateral System (OPCS).

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Ohio law requires that deposits either be insured or protected by: (1) eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment, whose market value at all times shall be at least 105 percent of the deposits being secured; or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a reduced rate set by the Treasurer of State. The City has no deposit policy for custodial credit risk beyond the requirements of the State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

E. Investments

As of December 31, 2020, the City had the following investment and maturity:

Measurement/ Investment Type	Measurement Amount	Investment Maturities 6 months or less
Amortized Cost:		
STAR Ohio	\$ 9,184,678	\$ 9,184,678

Interest Rate Risk: The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. 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 by requiring the consideration of market conditions and cash flow requirements in determining the term of an investment.

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

Credit Risk: STAR Ohio carries a rating of AAAm by Standard & Poor’s. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 4 - DEPOSITS AND INVESTMENTS – (Continued)

Concentration of Credit Risk: The City’s investment policy addresses concentration of credit risk by requiring investments to be diversified to reduce the risk of loss resulting from over concentration of assets in a specific issue or specific class of securities. The following table includes the percentage of each investment type held by the City at December 31, 2020:

Measurement / Investment Type	Measurement Amount	% of Total
Amortized Cost:		
STAR Ohio	\$ 9,184,678	100%

F. Reconciliation of Cash to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the footnote above to cash and investments as reported on the Statement of Net Position as of December 31, 2020:

<u>Cash and Investments per Footnote</u>	
Cash on hand	\$ 1,400
Cash in segregated accounts	4,136
Cash with fiscal agent	82
Carrying amount of deposits	16,374,019
Investments	9,184,678
Total	\$ 25,564,315
 <u>Cash and Investments per Statement of Net Position</u>	
Governmental activities	\$ 21,430,256
Business-type activities	4,134,059
Total	\$ 25,564,315

NOTE 5 – INTERFUND TRANSACTIONS

A. Interfund transfers for the year ended December 31, 2020 consisted of the following:

<u>Transfers from general fund to:</u>	
Capital improvement fund	\$ 200,000
Nonmajor governmental funds	636,100
Total	\$ 836,100

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds made in compliance with ORC Sections 5705.14-16, are eliminated for reporting on the government-wide Statement of Activities.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 5 – INTERFUND TRANSACTIONS – (Continued)

B. Due from/to other funds consisted of the following at December 31, 2020:

<u>Receivable fund:</u>	<u>Payable fund:</u>	<u>Amount</u>
General fund	Federal capital grants fund	\$ 413,719
General fund	Nonmajor governmental funds	153,024
Total		<u>\$ 566,743</u>

Amounts due from/to other funds represent advances from the general fund to the federal capital grants fund for right-of-way land purchases. These advances will be repaid as federal grant monies are reimbursed to the City. Amounts due from/to other funds between governmental funds are eliminated on the government-wide financial statements.

NOTE 6 - PROPERTY TAXES

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Fiscal Officer at 35 percent of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2020 public utility property taxes became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2020 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Summit County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Fairlawn. The Summit County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2020 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2020 operations and the collection of delinquent taxes has been offset by deferred revenue since the collection of the taxes during the available period is not subject to reasonable estimation.

On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow of resources.

THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 6 - PROPERTY TAXES – (Continued)

The full tax rate for all City operations for the year ended December 31, 2020 was \$2.70 per \$1,000 of assessed value. The assessed values of real and public utility property upon which 2020 property tax receipts were based are as follows:

<u>Real property</u>	
Residential/agricultural	\$ 173,917,780
Commercial/industrial/mineral	164,179,250
<u>Public utility</u>	
Personal	<u>4,771,810</u>
Total assessed value	<u><u>\$ 342,868,840</u></u>

NOTE 7 – LOCAL INCOME TAX

The City levies a municipal income tax of 2 percent on gross salaries, wages, and other personal service compensation earned by residents of the City and on the earnings of nonresidents working within the City. This tax also applies to the net income of business operations within the City. Residents of the City are granted a credit of up to 2 percent 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 City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The general fund receives 75 percent and the capital improvement fund receives 25 percent of income tax proceeds, net of collection expenditures.

In addition, the City receives income tax monies, reported as JEDD revenues, as the result of its participation in the Bath-Akron-Fairlawn JEDD. The JEDD levies an income tax of 2.5 percent on gross salaries, wages, and other personal service compensation earned by residents of the JEDD and on the earnings of nonresidents working within the JEDD. This tax also applies to the net income of business operations within the JEDD. Akron is responsible for the administration, collection, and enforcement of the income tax for the JEDD. The City is entitled to 46.67 percent of income tax proceeds from the JEDD, net of collection expenditures.

NOTE 8 - RECEIVABLES

Receivables at December 31, 2020, consisted of taxes, payments in lieu of taxes, accounts (billings for user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as “due from other governments” on the financial statements. Receivables have been recorded to the extent that they are measurable at December 31, 2020.

A summary of the principal items of receivables reported on the Statement of Net Position follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Income taxes	\$ 2,968,842	\$ -
Real and other taxes	1,014,573	-
Payments in lieu of taxes	84,103	-
Accounts	642,233	113,195
Special assessments	402,884	-
Due from other governments	1,885,402	52
Total	<u><u>\$ 6,998,037</u></u>	<u><u>\$ 113,247</u></u>

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 8 – RECEIVABLES – (Continued)

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

NOTE 9 - CAPITAL ASSETS

Capital assets of the governmental activities for the year ended December 31, 2020 were as follows:

	Balance 12/31/2019	Additions	Disposals	Balance 12/31/2020
<u>Governmental Activities:</u>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 3,580,282	\$ 38,000	\$ -	\$ 3,618,282
Construction in progress	<u>732,001</u>	<u>2,157,162</u>	<u>(81,589)</u>	<u>2,807,574</u>
Total capital assets, not being depreciated	<u>4,312,283</u>	<u>2,195,162</u>	<u>(81,589)</u>	<u>6,425,856</u>
<i>Capital assets, being depreciated</i>				
Buildings and improvements	14,094,783	-	-	14,094,783
Land improvements	3,319,418	198,427	-	3,517,845
Licensed vehicles	3,939,475	254,444	(170,013)	4,023,906
Machinery and equipment	4,642,152	81,858	(44,821)	4,679,189
Infrastructure	<u>81,045,557</u>	<u>116,556</u>	<u>(5,788)</u>	<u>81,156,325</u>
Total capital assets, being depreciated	<u>107,041,385</u>	<u>651,285</u>	<u>(220,622)</u>	<u>107,472,048</u>
<i>Less: accumulated depreciation</i>				
Buildings and improvements	(5,776,196)	(276,179)	-	(6,052,375)
Land improvements	(1,567,404)	(107,227)	-	(1,674,631)
Licensed vehicles	(2,731,138)	(184,993)	123,760	(2,792,371)
Machinery and equipment	(3,016,120)	(211,417)	35,824	(3,191,713)
Infrastructure	<u>(43,162,169)</u>	<u>(1,541,498)</u>	<u>5,788</u>	<u>(44,697,879)</u>
Total accumulated depreciation	<u>(56,253,027)</u>	<u>(2,321,314)</u>	<u>165,372</u>	<u>(58,408,969)</u>
Total capital assets, being depreciated, net	<u>50,788,358</u>	<u>(1,670,029)</u>	<u>(55,250)</u>	<u>49,063,079</u>
Governmental activities capital assets, net	<u>\$ 55,100,641</u>	<u>\$ 525,133</u>	<u>\$ (136,839)</u>	<u>\$ 55,488,935</u>

Depreciation expense was charged to governmental activities as follows:

<u>Governmental Activities:</u>	
General government	\$ 49,431
Security of persons and property	327,530
Transportation	1,219,406
Community environment	1,659
Leisure time activity	95,649
Utility services	<u>627,639</u>
Total depreciation expense	<u>\$ 2,321,314</u>

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 9 - CAPITAL ASSETS - (Continued)

Capital assets of the business-type activities for the year ended December 31, 2020 were as follows:

	Balance 12/31/2019	Additions	Disposals	Balance 12/31/2020
<u>Business-Type Activities:</u>				
<i>Capital assets, being depreciated:</i>				
Licensed vehicles	\$ -	\$ 36,039	\$ -	\$ 36,039
Machinery and equipment	3,211,172	183,080	-	3,394,252
Infrastructure	<u>7,700,405</u>	<u>4,347,395</u>	-	<u>12,047,800</u>
Total capital assets, being depreciated	<u>10,911,577</u>	<u>4,566,514</u>	<u>-</u>	<u>15,478,091</u>
 <i>Less: accumulated depreciation:</i>				
Licensed vehicles	-	(1,168)	-	(1,168)
Machinery and equipment	(283,889)	(216,607)	-	(500,496)
Infrastructure	<u>(434,843)</u>	<u>(308,016)</u>	-	<u>(742,859)</u>
Total accumulated depreciation	<u>(718,732)</u>	<u>(525,791)</u>	<u>-</u>	<u>(1,244,523)</u>
 Total capital assets, being depreciated, net	 <u>10,192,845</u>	 <u>4,040,723</u>	 <u>-</u>	 <u>14,233,568</u>
 Business-type capital assets, net	 <u>\$ 10,192,845</u>	 <u>\$ 4,040,723</u>	 <u>-</u>	 <u>\$ 14,233,568</u>

NOTE 10 – LONG-TERM OBLIGATIONS

A. Description of Long-Term Obligations

The maturity date, interest rate, and original issue amount for the City’s long-term obligations are as follows:

	Maturity Date	Interest Rate	Original Issue Amount
<u>General obligation bonds</u>			
2012 Various purpose refunding	2022	1.25 - 2.00%	\$ 4,500,000
 <u>Note payable</u>			
2017 Real property note	2027	5.00%	640,000
 <u>Capital lease obligation</u>			
2016 FairlawnGig project	2046	1.00 - 4.00%	10,175,000

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 10 – LONG-TERM OBLIGATIONS – (Continued)

B. Changes in Long-Term Obligations

During 2020, the following changes occurred in governmental activities long-term obligations:

	Balance 12/31/2019	Additions	Reductions	Balance 12/31/2020	Amounts Due Within One Year
Governmental Activities:					
<u>General obligation bonds</u>					
2012 Various purpose refunding	\$ 1,080,000	\$ -	\$ (355,000)	\$ 725,000	\$ 360,000
Add: Unamortized premium	55,442	-	(18,481)	36,961	-
Total general obligation bonds	1,135,442	-	(373,481)	761,961	360,000
<u>Long term note</u>					
2017 Real property note	535,690	-	(56,098)	479,592	58,903
<u>Net pension liability</u>					
OPERS	6,421,228	-	(1,824,009)	4,597,219	-
OP&F	11,868,809	-	(2,475,487)	9,393,322	-
Total net pension liability	18,290,037	-	(4,299,496)	13,990,541	-
<u>Net OPEB liability</u>					
OPERS	2,863,298	144,629	-	3,007,927	-
OP&F	1,324,126	53,210	-	1,377,336	-
Total net OPEB liability	4,187,424	197,839	-	4,385,263	-
<u>Other long-term obligations</u>					
Capital lease	9,525,000	-	(220,000)	9,305,000	225,000
Add: Unamortized premium	569,337	-	(21,086)	548,251	-
Compensated absences	1,520,377	689,249	(535,240)	1,674,386	617,664
Total other long-term obligations	11,614,714	689,249	(776,326)	11,527,637	842,664
Total governmental activities	<u>\$ 35,763,307</u>	<u>\$ 887,088</u>	<u>\$ (5,505,401)</u>	<u>\$ 31,144,994</u>	<u>\$ 1,261,567</u>

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 10 – LONG-TERM OBLIGATIONS – (Continued)

During 2020, the following changes occurred in business-type activities long-term obligations:

	Balance 12/31/2019	Additions	Reductions	Balance 12/31/2020	Amounts Due Within One Year
Business-Type Activities:					
<u>Net pension liability</u>					
OPERS	\$ 243,909	\$ 41,785	\$ -	\$ 285,694	\$ -
<u>Net OPEB liability</u>					
OPERS	108,762	78,165	-	186,927	-
<u>Other long-term obligations</u>					
Compensated absences	29,695	18,094	(9,241)	38,548	15,331
Total business-type activities	<u>\$ 382,366</u>	<u>\$ 138,044</u>	<u>\$ (9,241)</u>	<u>\$ 511,169</u>	<u>\$ 15,331</u>

The general obligation bonds and capital lease will be paid from income taxes receipted into the capital improvement fund. Compensated absences reported in the “long-term liabilities” accounts for the governmental activities and business-type activities will be paid from the funds from which the employees’ salaries are paid, the general fund and broadband fund, respectively.

On October 23, 2012, the City issued \$4,500,000 in Various Purpose Refunding Bonds (Series 2012). The net proceeds of \$4,600,000 (including a premium of \$187,888) were used for the current refunding of the 1998 Municipal Building Improvement Bonds and 2002 Municipal Service Building Improvement Bonds. The refunding reduced the City’s total debt service payments by \$661,198 over 10 years and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$650,872. The reacquisition price equaled the net carrying amount of the old debt.

On October 29, 2017, the City entered into an agreement with the Presentation of Our Lord Romanian Orthodox Church to purchase approximately 14 acres of real property for a purchase price of \$800,000, with a 20% down payment. The remaining balance of \$640,000 is payable over 10 years from the capital improvement fund.

C. Debt Service Requirements

Principal and interest requirements to retire long-term obligations outstanding at December 31, 2020 are as follows:

Year	General Obligation Bonds			Long-Term Note		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 360,000	\$ 14,500	\$ 374,500	\$ 58,903	\$ 23,980	\$ 82,883
2022	365,000	7,300	372,300	61,849	21,034	82,883
2023	-	-	-	64,941	17,942	82,883
2024	-	-	-	68,188	14,695	82,883
2025	-	-	-	71,597	11,286	82,883
2026 - 2027	-	-	-	154,114	11,653	165,767
Total	<u>\$ 725,000</u>	<u>\$ 21,800</u>	<u>\$ 746,800</u>	<u>\$ 479,592</u>	<u>\$ 100,590</u>	<u>\$ 580,182</u>

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 10 – LONG-TERM OBLIGATIONS – (Continued)

D. Conduit Debt Obligations

From time to time, the City has issued Health Care Facilities Revenue Bonds to provide financial assistance to a private, non-profit sector entity for the acquisition and construction of health care facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State of Ohio, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2020, there was one series of Health Care Facilities Revenue Bonds with an aggregate outstanding principal amount payable of \$4,905,000 and an original issue amount of \$10,000,000.

E. Capital Lease Obligations

During 2016, the City entered into a lease agreement with the Development Finance Authority of Summit County for the acquisition, construction, improvement and equipping of a municipal broadband utility to provide wireless and fiber optic high speed broadband internet services to the City.

Upon completion of the project, the general capital assets acquired by the agreement will be capitalized in the amount equal to the present value of the future minimum lease payments as of the date of their inception. For the City, a liability was recorded in the government-wide financial statements, as the capital improvement fund will be making the principal and interest payments. The City made principal payments of \$220,000 and interest and fiscal charges payments of \$362,950 in fiscal year 2020.

Capital assets consisting of machinery and equipment and infrastructure have been capitalized in the broadband fund, an enterprise fund of the City, in the amount of \$10,175,000. The remaining lease proceeds, issuance premium, and accumulated interest of \$82 were unspent as of December 31, 2020 and are held by a Trustee and included on the Statement of Net Position as cash with fiscal agent.

The following is a schedule of the future minimum lease payments required under the lease purchase agreement and the present value of the minimum lease payments as of December 31, 2020:

<u>Year Ending</u> <u>December 31,</u>	<u>Governmental</u> <u>Activities</u>
2021	\$ 583,550
2022	584,050
2023	587,150
2024	584,950
2025	587,600
2026 - 2030	2,926,300
2031 - 2035	2,922,400
2036 - 2040	2,921,000
2041 - 2045	2,926,000
2046	<u>584,200</u>
Total minimum lease payments	15,207,200
Less: amount representing interest and fiscal charges	<u>(5,902,200)</u>
Present value of future minimum lease payments	<u>\$ 9,305,000</u>

CITY OF FAIRLAWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 11 – OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vested vacation and sick leave components are derived from negotiated agreements and state laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Vacation accumulation is typically limited to one year. Employees may carry over vacation earned for three years prior to their retirement date. All accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at the rate of 1.25 days per month of service. Upon retirement, employees hired before January 1, 2005 are eligible to receive payment for accumulated unused sick days. The exact terms vary in accordance with the negotiated collective bargaining agreement in effect. In most cases, the sick leave termination payment is limited to a maximum of 90 days. Employees with a hire date subsequent to December 31, 2004 are not eligible to receive termination payments for sick leave, unless they are retiring from the City on a disability retirement approved by OPERS or OP&F.

As of December 31, 2020, the total liability for unpaid compensated absences was \$1,755,787 in the governmental activities and \$38,873 in the business-type activities.

B. Health Care Benefits

The City provides life insurance and accidental death and dismemberment insurance to most employees. The City has elected to provide employees' medical/surgical benefits through Medical Mutual. Employees share the cost of the monthly premium. Dental insurance is provided by the City through MetLife.

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. During 2020, the City contracted with Wichert Insurance Service, Inc. for property and general liability insurance, including boiler and machinery provided by Selective Insurance Company. Police and public official liability policies are provided by Hudson Insurance Company with a \$1,000,000 limit and a \$10,000 deductible. Selective Insurance Company covers Firemen and EMT professional liability with a limit of \$1,000,000 and no deductible. A commercial umbrella policy through Selective Insurance Company provides additional general liability and auto liability insurance up to a \$10,000,000 limit.

Vehicles are covered by Selective Insurance Company and hold a \$1,000 deductible for collision. Automobile liability coverage has no limit for collision, a \$500,000 limit for uninsured/underinsured motorist, and a \$1,000,000 combined limit for bodily injury and property damage.

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

The City pays the State Workers' Compensation system a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Asset and Net OPEB Liability

Pensions and OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period.

The net pension liability/asset and the net OPEB liability represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting 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 68/75 assumes the liability/asset is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability 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 liability/asset on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the pension disclosures. See Note 14 for the OPEB disclosures.

Plan Description - Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost-of-living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (COLA). This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a COLA adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the COLA adjustment is 3 percent. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Beginning in 2022, the Combined Plan will be consolidated under the Traditional Pension Plan (defined benefit plan) and the Combined Plan option will no longer be available for new hires beginning in 2022.

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

	State and Local
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2020 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits **	0.0 %
Total Employer	14.0 %
Employee	10.0 %

* This rate is determined by OPERS' Board and has no maximum rate established by ORC.

** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00%.

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$559,975 for 2020. Of this amount, \$49,637 is reported as due to other governments.

CITY OF FAIRLAWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit (see OP&F Comprehensive Annual Financial Report referenced above for additional information, including requirements for Deferred Retirement Option Plan (DROP) provisions and reduced and unreduced benefits).

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

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

THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>Police</u>	<u>Firefighters</u>
2020 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2020 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50 %</u>	<u>0.50 %</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$810,627 for 2020. Of this amount, \$70,113 is reported as due to other governments.

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

The net pension liability and net pension asset for the OPERS were measured as of December 31, 2019, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities.

Following is information related to the proportionate share and pension expense:

	<u>OPERS - Traditional</u>	<u>OPERS - Member- Directed</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.02433600%	0.00342200%	0.14540400%	
Proportion of the net pension liability/asset current measurement date	<u>0.02470400%</u>	<u>0.00312500%</u>	<u>0.13943850%</u>	
Change in proportionate share	<u>0.00036800%</u>	<u>-0.00029700%</u>	<u>-0.00596550%</u>	
Proportionate share of the net pension liability	\$ 4,882,913	\$ -	\$ 9,393,322	\$ 14,276,235
Proportionate share of the net pension asset	-	(118)	-	(118)
Pension expense	788,531	(70)	1,237,080	2,025,541

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS - Traditional	OPERS - Member- Directed	OP&F	Total
Deferred outflows of resources				
Differences between expected and actual experience	\$ -	\$ 395	\$ 355,567	\$ 355,962
Changes of assumptions	260,804	18	230,582	491,404
Changes in employer's proportionate percentage/ difference between employer contributions	83,039	-	424,414	507,453
Contributions subsequent to the measurement date	558,301	1,674	810,627	1,370,602
Total deferred outflows of resources	<u>\$ 902,144</u>	<u>\$ 2,087</u>	<u>\$ 1,821,190</u>	<u>\$ 2,725,421</u>

	OPERS - Traditional	OPERS - Member- Directed	OP&F	Total
Deferred inflows of resources				
Differences between expected and actual experience	\$ 61,737	\$ -	\$ 484,453	\$ 546,190
Net difference between projected and actual earnings on pension plan investments	974,029	36	453,773	1,427,838
Changes in employer's proportionate percentage/ difference between employer contributions	100,448	-	460,251	560,699
Total deferred inflows of resources	<u>\$ 1,136,214</u>	<u>\$ 36</u>	<u>\$ 1,398,477</u>	<u>\$ 2,534,727</u>

\$1,370,602 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2021.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS - Traditional	OPERS - Member- Directed	OP&F	Total
2021	\$ (147,945)	\$ 48	\$ (62,331)	\$ (210,228)
2022	(298,007)	47	(15,036)	(312,996)
2023	40,334	54	216,885	257,273
2024	(386,753)	44	(457,944)	(844,653)
2025	-	51	(69,488)	(69,437)
Thereafter	-	133	-	133
Total	\$ (792,371)	\$ 377	\$ (387,914)	\$ (1,179,908)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial-reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2019, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2019, are presented below.

Wage inflation	3.25%
Future salary increases, including inflation COLA or ad hoc COLA	3.25% to 10.75% including wage inflation Pre 1/7/2013 retirees: 3.00%, simple Post 1/7/2013 retirees: 1.40%, simple through 2020, then 2.15% simple
Investment rate of return	
Current measurement date	7.20%
Prior measurement date	7.20%
Actuarial cost method	Individual entry age

In October 2019, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 3.00% simple through 2018 then 2.15% simple to 1.40% simple through 2020 then 2.15% simple.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.20% for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed income	25.00 %	1.83 %
Domestic equities	19.00	5.75
Real estate	10.00	5.20
Private equity	12.00	10.70
International equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

Discount Rate - The discount rate used to measure the total pension liability/asset was 7.20%, post-experience study results, for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The discount rate used to measure total pension liability prior to December 31, 2019 was 7.20%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability/Asset to Changes in the Discount Rate - The following table presents the proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 7.20%, as well as what the proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (6.20%) or one-percentage-point higher (8.20%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 8,053,504	\$ 4,882,913	\$ 2,032,645
Member-Directed Plan	(63)	(118)	(156)

Actuarial Assumptions - OP&F

OP&F's total pension liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, 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 the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2019, are presented below.

Valuation date	1/1/19 with actuarial liabilities rolled forward to 12/31/19
Actuarial cost method	Entry age normal
Investment rate of return	8.00%
Projected salary increases	3.75% - 10.50%
Payroll increases	3.25% per annum, compounded annually, consisting of inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of living adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	- %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation		
Linked Bonds *	17.00	2.50
Midstream Energy Infrastructure	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	120.00 %	

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Discount Rate - The total pension liability was calculated using the discount rate of 8.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease	Current Discount Rate	1% Increase
City’s proportionate share of the net pension liability	\$ 13,018,818	\$ 9,393,322	\$ 6,360,954

NOTE 14 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

See Note 13 for a description of the net OPEB liability.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority allowing 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. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care was 0.00% for the Traditional and Combined plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.00%.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$670 for 2020. Of this amount, \$59 is reported as due to other governments.

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment 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 for 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 OP&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 stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (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 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees’ primary responsibility to ensure that pension benefits are adequately funded.

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 \$19,539 for 2020. Of this amount, \$1,690 is reported as due to other governments.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F’s total OPEB liability was measured as of December 31, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. 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	0.02279600%	0.14540400%	
Proportion of the net OPEB liability current measurement date	<u>0.02313000%</u>	<u>0.13943850%</u>	
Change in proportionate share	<u>0.00033400%</u>	<u>-0.00596550%</u>	
Proportionate share of the net OPEB liability	\$ 3,194,854	\$ 1,377,336	\$ 4,572,190
OPEB expense	\$ 353,894	\$ 203,892	\$ 557,786

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 87	\$ -	\$ 87
Changes of assumptions	505,713	805,245	1,310,958
Changes in employer's proportionate percentage/difference between employer contributions	47,372	407,764	455,136
Contributions subsequent to the measurement date	669	19,539	20,208
Total deferred outflows of resources	<u>\$ 553,841</u>	<u>\$ 1,232,548</u>	<u>\$ 1,786,389</u>
	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 292,185	\$ 148,119	\$ 440,304
Net difference between projected and actual earnings on OPEB plan investments	162,682	63,380	226,062
Changes of assumptions	-	293,531	293,531
Changes in employer's proportionate percentage/difference between employer contributions	66,732	109,180	175,912
Total deferred inflows of resources	<u>\$ 521,599</u>	<u>\$ 614,210</u>	<u>\$ 1,135,809</u>

\$20,208 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2021	\$ 54,817	\$ 117,281	\$ 172,098
2022	46,145	117,281	163,426
2023	128	130,281	130,409
2024	(69,515)	109,785	40,270
2025	(2)	103,925	103,923
Thereafter	-	20,246	20,246
Total	\$ 31,573	\$ 598,799	\$ 630,372

Actuarial Assumptions - OPERS

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

Projections of health care costs for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25%
Projected Salary Increases, including inflation	3.25 to 10.75% including wage inflation
Single Discount Rate:	
Current measurement date	3.16%
Prior Measurement date	3.96%
Investment Rate of Return	
Current measurement date	6.00%
Prior Measurement date	6.00%
Municipal Bond Rate	
Current measurement date	2.75%
Prior Measurement date	3.71%
Health Care Cost Trend Rate	
Current measurement date	10.50% initial, 3.50% ultimate in 2030
Prior Measurement date	10.00%, initial 3.25%, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

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

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

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

During 2019, 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, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. 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 19.70% for 2019.

The allocation of investment assets within 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.

For each major asset class that is included in the Health Care's portfolio's target asset allocation as of December 31, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

Discount Rate - A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. 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) a 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 2.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - The following table presents the proportionate share of the net OPEB liability calculated using the single discount rate of 3.16%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16%) or one-percentage-point higher (4.16%) than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 4,180,979	\$ 3,194,854	\$ 2,405,289

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the proportionate share of net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50%. 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 3.50% in the most recent valuation.

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 3,100,577	\$ 3,194,854	\$ 3,287,930

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

Changes between Measurement Date and Reporting Date

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, 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 the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Projected Salary Increases	3.75% to 10.50%
Payroll Growth	3.25%
Single discount rate:	
Current measurement date	3.56%
Prior measurement date	4.66%
Cost of Living Adjustments	3.00% simple; 2.20% simple for increases based on the lesser of the increase in CPI and 3.00%

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

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 Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120%.

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

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

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

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

The 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, 2019, are summarized below:

Asset Class	Target Allocation	30 Year Expected Real Rate of Return **
Cash and Cash Equivalents	- %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation		
Linked Bonds *	17.00	2.50
Midstream Energy Infrastructure	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	120.00 %	

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 14 - DEFINED BENEFIT OPEB PLANS – (Continued)

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

Discount Rate - For 2019, the total OPEB liability was calculated using the discount rate of 3.56%. For 2018, 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 of 8.00%. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75% at December 31, 2019 and 4.13% at December 31, 2018, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 3.56% for 2019 and 4.66% for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate - Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56%), or one percentage point higher (4.56%) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 1,707,808	\$ 1,377,336	\$ 1,102,737

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.

THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Unreported cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

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

Net Change in Fund Balance

	<u>General Fund</u>
Budget basis	\$ 4,696
Net adjustment for revenue accruals	308,626
Net adjustment for expenditure accruals	116,085
Net adjustment for other sources/uses	250,993
Adjustment for encumbrances	<u>1,453,091</u>
GAAP basis	<u>\$ 2,133,491</u>

THIS SPACE INTENTIONALLY LEFT BLANK

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 16 - FUND BALANCE

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

Fund balance	General	Capital Improvement	Federal Capital Grants	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	\$ 574,013	\$ -	\$ -	\$ -	\$ 574,013
Prepayments	252,545	49,303	-	-	301,848
Unclaimed monies	<u>19,638</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,638</u>
Total nonspendable	<u>846,196</u>	<u>49,303</u>	<u>-</u>	<u>-</u>	<u>895,499</u>
Restricted:					
Capital improvements	-	5,259,629	-	-	5,259,629
Law enforcement	-	-	-	79,225	79,225
Police and fire pensions	-	-	-	451,448	451,448
Sewer maintenance	-	-	-	397,533	397,533
Streets and highways	-	-	-	559,969	559,969
Enforcement	-	-	-	163,785	163,785
Other purposes	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,856</u>	<u>6,856</u>
Total restricted	<u>-</u>	<u>5,259,629</u>	<u>-</u>	<u>1,658,816</u>	<u>6,918,445</u>
Committed:					
Law enforcement	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>
Assigned:					
Encumbrances	1,080,291	-	-	-	1,080,291
Subsequent year appropriations	<u>1,625,120</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,625,120</u>
Total assigned	<u>2,705,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,705,411</u>
Unassigned (deficit)	<u>13,718,778</u>	<u>-</u>	<u>(722,258)</u>	<u>(133,481)</u>	<u>12,863,039</u>
Total fund balances (deficit)	<u>\$ 17,275,385</u>	<u>\$ 5,308,932</u>	<u>\$ (722,258)</u>	<u>\$ 1,525,335</u>	<u>\$ 23,387,394</u>

NOTE 17 – CONTINGENCIES

A. Federal and State Grants

The City receives financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the 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 effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2020.

B. Litigation

The City is party to legal proceedings. The City management is of the opinion that the ultimate disposition of these legal claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 18 – CONTRACTUAL AND OTHER COMMITMENTS

A. Contractual Commitments

At December 31, 2020, the City had the following significant contractual commitments:

Project	Contracts Awarded	Amount Paid as of 12/31/2020	Amount Remaining on Contracts
Access Control system	\$ 401,016	\$ -	\$ 401,016
Cleveland-Massillon Road widening	8,988,943	2,082,192	6,906,751
	<u>\$ 9,389,959</u>	<u>\$ 2,082,192</u>	<u>\$ 7,307,767</u>

B. Encumbrances

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

<u>Fund</u>	Year-End <u>Encumbrances</u>
General fund	\$ 1,080,291
Capital improvement	1,246,072
Federal capital grants	5,830,074
Nonmajor governmental funds	<u>216,540</u>
Total	<u>\$ 8,372,977</u>

NOTE 19 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the pension and other employee benefits plan in which the City participate fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated.

During 2020, the City received \$617,389 as a pass through from another government. The City also received \$3,646,904 in Coronavirus Relief Funds from Summit County. These amounts are recorded in the Coronavirus Relief Special Revenue Fund.

NOTE 20 – RELATED PARTY TRANSACTIONS

During 2020, the City received \$323,700 in excess real property sales proceeds and one parcel of real property, with a current fair value of \$38,000 from the CIC, a discretely presented component unit of the City. The property was previously reported as an asset held for resale, with a carrying value of \$105,000 on the CIC's 2019 financial statements.

CITY OF FAIRLAWN, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

NOTE 21 – COMMUNITY IMPROVEMENT CORPORATION OF FAIRLAWN, OHIO

The Community Improvement Corporation of Fairlawn, Ohio (the “CIC”) was formed pursuant to City of Fairlawn Ordinance 2010-030, passed June 21, 2010, and incorporated as a corporation not-for-profit under Title XVII, Chapters 1702 and 1724 of the Ohio Revised Code for the purpose of advancing, encouraging, and promoting the industrial, economic, commercial and civic development of the City of Fairlawn (the “City”). The CIC has been designated as the City’s agent for industrial, commercial, distribution, and research development.

The Board of Trustees is to be comprised of no less than five members, and at all times no less than two-fifths of the members shall be elected or appointed officials of the City. The following three elected or appointed officials of the City (“City Representatives”) constitute three of the members of the Board of Trustees: President of Council, Mayor, and Director of Finance. The City Representatives hold office for as long as they hold their position at the City. In addition to the three City Representatives, two or more additional members may be appointed by a majority vote of the Board of Trustees (“Community Representatives”). The Community Representatives serve two year terms.

Summary of Significant Accounting Policies

The basic financial statements of the CIC have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to 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 CIC’s accounting policies are described below.

A. Basis of Accounting

The basic financial statements of the CIC are prepared using the accrual basis of accounting in conformity with GAAP.

B. Basis of Presentation

The CIC’s basic financial statements consist of a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position; and a Statement of Cash Flows.

The CIC distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the CIC’s principal ongoing operation. The principal operating revenues of the CIC are contributions from the City and operating grants. Operating expenses for the CIC primarily include contract services, development grants, and other expenses. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses. The CIC did not have any nonoperating revenues or expenses in 2020.

C. Federal Income Tax

The CIC is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code.

D. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, all cash in the CIC’s checking account is considered to be cash and cash equivalents. All monies received by the CIC are deposited in a demand deposit account.

CITY OF FAIRLAWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 21 – COMMUNITY IMPROVEMENT CORPORATION OF FAIRLAWN, OHIO – (Continued)

E. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the Statement of Net Position. These items are reported as assets on the Statement of Net Position using the consumption method. A current asset is recorded for the prepaid amount at the time of the purchase and the expense is reported in the year in which the services are consumed.

F. Net Position

Net position represents the difference between assets and liabilities. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the CIC or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The CIC has no net position restrictions.

G. Estimates

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

H. Deposits

At December 31, 2020, the carrying amount of the CIC's deposits was \$28,572 and the bank balance of the CIC's deposits was \$28,758. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," the CIC's entire bank balance of \$28,758 was covered by the Federal Deposit Insurance Corporation.

Custodial credit risk is the risk that, in the event of bank failure, the CIC will not be able to recover deposits or collateral securities that are in the possession of an outside party. There are no significant statutory restrictions regarding the deposits and investments of funds held by the not-for-profit corporation.

I. Loan Receivable

On March 21, 2019, the CIC entered into a \$300,000 property redevelopment loan agreement with Fairlawn Associates Ltd, as grantee, for the redevelopment of office space within the City of Fairlawn. As specified in the agreement, the loan shall be forgiven in full at such time as the grantee's new tenant provides the City of Fairlawn with at least \$600,000 in payroll withholding taxes during the 10-year term ending December 31, 2029. If not forgiven, the loan will be due in full as the end of the 10-year term.

J. Contributions from the City of Fairlawn

Cash

The CIC did not receive any cash contributions from the City during the year.

Pursuant to Resolution 2020-003 and Section 1724.10 of the Ohio Revised, the CIC remitted \$323,700 in excess sales proceeds, from the termination of a capital lease, to the City in 2020.

CITY OF FAIRLAWN, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE 21 – COMMUNITY IMPROVEMENT CORPORATION OF FAIRLAWN, OHIO – (Continued)

Property

Donations of property received by the CIC are recorded as contributions at their estimated fair market value at the date of donation and are reported as increases to assets held for sale. The CIC did not receive any donated property from the City during the year.

Donations of property to the City are reported as decreases to assets held for sale at the date of donation. The CIC donated one parcel of real property, with a carrying value of \$105,000, to the City during the year.

Services

Pursuant to City of Fairlawn Resolution 2012-046 passed June 4, 2012, an agreement was executed June 5, 2012, between the City and the CIC, whereby the City will provide technical and administrative services and assistance at no cost to the CIC. No amounts have been reflected in the financial statements for these services, because the CIC has not estimated their value.

K. Risk Management

The CIC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For 2020, the CIC had general liability insurance through Auto-Owners Insurance Company and directors and officers liability insurance through Travelers Casualty and Surety Company of America.

Settled claims have not exceeded commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

L. Litigation

The CIC is involved in no material litigation as either plaintiff or defendant.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF FAIRLAWN, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.024704%	0.024336%	0.025511%	0.024803%
City's proportionate share of the net pension liability	\$ 4,882,913	\$ 6,665,137	\$ 4,002,181	\$ 5,632,340
City's covered payroll	\$ 3,458,943	\$ 3,286,950	\$ 3,239,638	\$ 3,229,808
City's proportionate share of the net pension liability as a percentage of its covered payroll	141.17%	202.78%	123.54%	174.39%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	74.70%	84.66%	77.25%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.000000%	0.000000%	0.000000%	0.000000%
City's proportionate share of the net pension asset	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ -	\$ -	\$ -	\$ -
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.00%	0.00%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total pension asset	145.28%	126.64%	137.28%	116.55%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.003125%	0.003422%	0.003422%	0.003573%
City's proportionate share of the net pension asset	\$ 118	\$ 78	\$ 119	\$ 15
City's covered payroll	\$ 18,580	\$ 19,560	\$ 18,760	\$ 14,683
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.64%	0.40%	0.63%	0.10%
Plan fiduciary net position as a percentage of the total pension asset	118.84%	113.42%	124.46%	103.40%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

	<u>2016</u>	<u>2015</u>	<u>2014</u>
	0.024912%	0.023637%	0.023637%
\$	4,315,072	\$ 2,850,886	\$ 2,786,494
\$	3,105,650	\$ 2,906,808	\$ 2,887,162
	138.94%	98.08%	96.51%
	81.08%	86.45%	86.36%
	0.014030%	0.016754%	0.016754%
\$	6,827	\$ 6,451	\$ 1,758
\$	59,025	\$ 61,242	\$ 51,038
	11.57%	10.53%	3.44%
	116.90%	114.83%	104.56%
	0.003709%	n/a	n/a
\$	14	n/a	n/a
\$	20,658	n/a	n/a
	0.07%	n/a	n/a
	103.91%	n/a	n/a

CITY OF FAIRLAWN, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net pension liability	0.13943850%	0.14540400%	0.14739800%	0.13322700%
City's proportionate share of the net pension liability	\$ 9,393,322	\$ 11,868,809	\$ 9,046,466	\$ 8,438,464
City's covered payroll	\$ 3,358,505	\$ 3,336,222	\$ 3,139,305	\$ 2,913,374
City's proportionate share of the net pension liability as a percentage of its covered payroll	279.69%	355.76%	288.17%	289.65%
Plan fiduciary net position as a percentage of the total pension liability	69.89%	63.07%	70.91%	68.36%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.13672800%	0.13517390%	0.13517390%
\$ 8,795,761	\$ 7,002,572	\$ 6,583,393
\$ 2,827,364	\$ 2,735,974	\$ 2,649,515
311.09%	255.94%	248.48%
66.77%	72.20%	73.00%

CITY OF FAIRLAWN, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 558,301	\$ 484,252	\$ 460,173	\$ 421,153
Contributions in relation to the contractually required contribution	<u>(558,301)</u>	<u>(484,252)</u>	<u>(460,173)</u>	<u>(421,153)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 3,987,864	\$ 3,458,943	\$ 3,286,950	\$ 3,239,638
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 1,674	\$ 1,858	\$ 1,956	\$ 1,876
Contributions in relation to the contractually required contribution	<u>(1,674)</u>	<u>(1,858)</u>	<u>(1,956)</u>	<u>(1,876)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 16,740	\$ 18,580	\$ 19,560	\$ 18,760
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	10.00%

Note: Information prior to 2015 for the City's member directed plan was unavailable. Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 387,577	\$ 372,678	\$ 348,817	\$ 375,331	\$ 271,543	\$ 272,035
<u>(387,577)</u>	<u>(372,678)</u>	<u>(348,817)</u>	<u>(375,331)</u>	<u>(271,543)</u>	<u>(272,035)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,229,808	\$ 3,105,650	\$ 2,906,808	\$ 2,887,162	\$ 2,715,430	\$ 2,720,350
12.00%	12.00%	12.00%	13.00%	10.00%	10.00%
\$ -	\$ 7,083	\$ 7,349	\$ 6,635	\$ 4,881	\$ 6,314
<u>-</u>	<u>(7,083)</u>	<u>(7,349)</u>	<u>(6,635)</u>	<u>(4,881)</u>	<u>(6,314)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ 59,025	\$ 61,242	\$ 51,038	\$ 61,396	\$ 79,421
12.00%	12.00%	12.00%	13.00%	7.95%	7.95%
\$ 1,762	\$ 2,479	n/a	n/a	n/a	n/a
<u>(1,762)</u>	<u>(2,479)</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
<u>\$ -</u>	<u>\$ -</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
\$ 14,683	\$ 20,658	n/a	n/a	n/a	n/a
12.00%	12.00%	n/a	n/a	n/a	n/a

CITY OF FAIRLAWN, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Police:</i>				
Contractually required contribution	\$ 454,815	\$ 380,914	\$ 372,853	\$ 345,693
Contributions in relation to the contractually required contribution	<u>(454,815)</u>	<u>(380,914)</u>	<u>(372,853)</u>	<u>(345,693)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,393,763	\$ 2,004,811	\$ 1,962,384	\$ 1,819,437
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%
 <i>Fire:</i>				
Contractually required contribution	\$ 355,812	\$ 318,118	\$ 322,852	\$ 310,169
Contributions in relation to the contractually required contribution	<u>(355,812)</u>	<u>(318,118)</u>	<u>(322,852)</u>	<u>(310,169)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,514,094	\$ 1,353,694	\$ 1,373,838	\$ 1,319,868
Contributions as a percentage of covered payroll	23.50%	23.50%	23.50%	23.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 327,066	\$ 317,509	\$ 314,593	\$ 258,005	\$ 204,674	\$ 197,448
<u>(327,066)</u>	<u>(317,509)</u>	<u>(314,593)</u>	<u>(258,005)</u>	<u>(204,674)</u>	<u>(197,448)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,721,400	\$ 1,671,100	\$ 1,655,753	\$ 1,624,376	\$ 1,605,286	\$ 1,548,612
19.00%	19.00%	19.00%	15.88%	12.75%	12.75%
\$ 280,114	\$ 271,722	\$ 253,852	\$ 208,854	\$ 164,450	\$ 178,967
<u>(280,114)</u>	<u>(271,722)</u>	<u>(253,852)</u>	<u>(208,854)</u>	<u>(164,450)</u>	<u>(178,967)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,191,974	\$ 1,156,264	\$ 1,080,221	\$ 1,024,799	\$ 953,333	\$ 1,037,490
23.50%	23.50%	23.50%	20.38%	17.25%	17.25%

CITY OF FAIRLAWN, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.023130%	0.022796%	0.023930%	0.023253%
City's proportionate share of the net OPEB liability	\$ 3,194,854	\$ 2,972,060	\$ 2,598,622	\$ 2,348,618
City's covered payroll	\$ 3,477,523	\$ 3,306,510	\$ 3,239,638	\$ 3,244,491
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	91.87%	89.89%	80.21%	72.39%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%	46.33%	54.14%	54.05%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRLAWN, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.13943850%	0.14540400%	0.14739800%	0.13322700%
City's proportionate share of the net OPEB liability	\$ 1,377,336	\$ 1,324,126	\$ 8,351,342	\$ 6,323,986
City's covered payroll	\$ 3,358,505	\$ 3,336,222	\$ 3,139,305	\$ 2,913,374
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	41.01%	39.69%	266.03%	217.07%
Plan fiduciary net position as a percentage of the total OPEB liability	47.08%	46.57%	14.13%	15.96%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF FAIRLAWN, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 669	\$ 743	\$ 783	\$ 33,146
Contributions in relation to the contractually required contribution	<u>(669)</u>	<u>(743)</u>	<u>(783)</u>	<u>(33,146)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 4,004,604	\$ 3,477,523	\$ 3,306,510	\$ 3,258,398
Contributions as a percentage of covered payroll	0.02%	0.02%	0.02%	1.02%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 65,430	\$ 63,294	\$ 59,156	\$ 29,369	\$ 112,331	\$ 113,619
<u>(65,430)</u>	<u>(63,294)</u>	<u>(59,156)</u>	<u>(29,369)</u>	<u>(112,331)</u>	<u>(113,619)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 3,244,491	\$ 3,185,333	n/a	n/a	n/a	n/a
2.02%	1.99%	n/a	n/a	n/a	n/a

CITY OF FAIRLAWN, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Police:</i>				
Contractually required contribution	\$ 11,969	\$ 10,024	\$ 9,812	\$ 9,097
Contributions in relation to the contractually required contribution	<u>(11,969)</u>	<u>(10,024)</u>	<u>(9,812)</u>	<u>(9,097)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 2,393,763	\$ 2,004,811	\$ 1,962,384	\$ 1,819,437
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%
<i>Fire:</i>				
Contractually required contribution	\$ 7,570	\$ 6,768	\$ 6,869	\$ 6,599
Contributions in relation to the contractually required contribution	<u>(7,570)</u>	<u>(6,768)</u>	<u>(6,869)</u>	<u>(6,599)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,514,094	\$ 1,353,694	\$ 1,373,838	\$ 1,319,868
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 8,607	\$ 8,581	\$ 8,217	\$ 59,291	\$ 108,357	\$ 104,531
<u>(8,607)</u>	<u>(8,581)</u>	<u>(8,217)</u>	<u>(59,291)</u>	<u>(108,357)</u>	<u>(104,531)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,721,400	\$ 1,671,100	\$ 1,655,753	\$ 1,624,376	\$ 1,605,286	\$ 1,548,612
0.50%	0.50%	0.50%	3.62%	6.75%	6.75%
\$ 5,960	\$ 5,781	\$ 5,388	\$ 36,979	\$ 64,350	\$ 70,031
<u>(5,960)</u>	<u>(5,781)</u>	<u>(5,388)</u>	<u>(36,979)</u>	<u>(64,350)</u>	<u>(70,031)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,191,974	\$ 1,156,264	\$ 1,080,221	\$ 1,024,799	\$ 953,333	\$ 1,037,490
0.50%	0.50%	0.50%	3.62%	6.75%	6.75%

CITY OF FAIRLAWN, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2020.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. For 2017, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.00% down to 7.50%, (b) for defined benefit investments, decreasing the wage inflation from 3.75% to 3.25% and (c) changing the future salary increases from a range of 4.25%-10.05% to 3.25%-10.75%. There were no changes in assumptions for 2018. For 2019, the following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date: (a) the assumed rate of return and discount rate were reduced from 7.50% down to 7.20%. There were no changes in assumptions for 2020.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2014-2020.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following were the most significant changes of assumptions that affected the total pension since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 8.50% down to 8.00%, (b) changing the future salary increases from a range of 4.25%-11.00% to 3.75%-10.50%, (c) reduction in payroll increases from 3.75% down to 3.25%, (d) reduction in inflation assumptions from 3.25% down to 2.75% and (e) Cost of Living Adjustments (COLA) were reduced from 2.60% and 3.00% simple to 2.20% and 3.00% simple. There were no changes in assumptions for 2019-2020.

(Continued)

CITY OF FAIRLAWN, OHIO

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2020.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) reduction in the actuarially assumed rate of return from 4.23% down to 3.85%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.85% up to 3.96%, (b) The investment rate of return was decreased from 6.50% percent down to 6.00%, (c) the municipal bond rate was increased from 3.31% up to 3.71% and (d) the health care cost trend rate was increased from 7.50%, initial/3.25%, ultimate in 2028 up to 10.00%, initial/3.25% ultimate in 2029. For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 3.96% down to 3.16%, (b) the municipal bond rate was decreased from 3.71% down to 2.75% and (c) the health care cost trend rate was increased from 10.00%, initial/3.25%, ultimate in 2029 up to 10.50%, initial/3.50% ultimate in 2030.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms : There were no changes in benefit terms from the amounts reported for 2017-2018. For 2019, OP&F changed its retiree health care model from a self-insured health care plan to a stipend-based health care model. There were no changes in benefit terms for 2020.

Changes in assumptions : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2017. For 2018, the following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date: (a) DROP interest rate was reduced from 4.50% to 4.00%, (b) CPI-based COLA was reduced from 2.60% to 2.20%, (c) investment rate of return was reduced from 8.25% to 8.00%, (d) salary increases were reduced from 3.75% to 3.25% and (e) payroll growth was reduced from 3.75% to 3.25%. For 2019, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was increased from 3.24% up to 4.66%. For 2020, the following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date: (a) the discount rate was decreased from 4.66% down to 3.56%.

This page intentionally left blank.

CITY OF FAIRLAWN, OHIO

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

FEDERAL GRANTOR			
Federal Grantor Agency Division	Federal	Pass Through	
<i>Pass Through Grantor</i>	CFDA	Entity	
Program/Cluster Title	Number	Number	<u>Expenditures</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Federal Highway Administration			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction Cluster			
SUM CR17 16.51 Cleveland-Massillon Road	20.205	PID 103293	<u>\$ 1,386,155</u>
Total U.S. Department of Transportation			1,386,155
U.S. DEPARTMENT OF TREASURY			
<i>Passed Through Ohio Office of Budget and Management</i>			
COVID-19 Coronavirus Relief Fund	21.019	HB481-CRF-Local	617,389
<i>Passed Through Summit County</i>			
COVID-19 Coronavirus Relief Fund	21.019	N/A	3,646,904
Total U.S. Department of Treasury			<u>4,264,293</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Federal Highway Administration			
<i>Passed Through Ohio Environmental Protection Agency</i>			
Nonpoint Source Implementation	66.460	19(h)EPA-24	<u>145,971</u>
Total U.S. Environmental Protection Agency			145,971
U.S. DEPARTMENT OF HOMELAND SECURITY			
Federal Emergency Management Agency			
<i>Direct</i>			
COVID-19 Assistance to Firefighters	97.044	N/A	<u>1,862</u>
Total U.S. Department of Homeland Security			1,862
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 5,798,281</u></u>

The accompanying notes are an integral part of this schedule.

**CITY OF FAIRLAWN, OHIO
SUMMIT COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Fairlawn (the City's) under programs of the federal government for the year ended December 31, 2020. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.

OHIO AUDITOR OF STATE KEITH FABER



Conference Center, Suite 154
6000 Frank Ave. NW
North Canton, OH 44720
EastRegion@ohioauditor.gov
(800) 443-9272

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

City of Fairlawn
Summit County
3487 South Smith Road
Fairlawn, Ohio 44333

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Fairlawn, Summit County, (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 19, 2021, wherein we noted the City referred to the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the City.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

October 19, 2021

OHIO AUDITOR OF STATE KEITH FABER



Conference Center, Suite 154
6000 Frank Ave. NW
North Canton, OH 44720
EastRegion@ohioauditor.gov
(800) 443-9272

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

City of Fairlawn
Summit County
3487 South Smith Road
Fairlawn, Ohio 44333

To the City Council:

Report on Compliance for Each Major Federal Program

We have audited the City of Fairlawn's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of the City of Fairlawn's major federal programs for the year ended December 31, 2020. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal programs.

Management's Responsibility

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for each of the City's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on each of the City's major programs. However, our audit does not provide a legal determination of the City's compliance.

Opinion on each Major Federal Program

In our opinion, the City of Fairlawn complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber
Auditor of State
Columbus, Ohio

October 19, 2021

**CITY OF FAIRLAWN
SUMMIT COUNTY**

**SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2020**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material weaknesses in internal control reported for major federal programs?	No
(d)(1)(iv)	Were there any significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unmodified
(d)(1)(vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	No
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction Cluster CFDA #20.205; COVID-19 Coronavirus Relief Fund – CFDA #21.019
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 750,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee under 2 CFR § 200.520?	No

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This page intentionally left blank.

WILLIAM J. ROTH, JR.
MAYOR



MARK H. LUDWIG
FINANCE DIRECTOR
JACOB D. KAUFMAN
TAX ADMINISTRATOR
ASSISTANT FINANCE DIRECTOR

CITY OF FAIRLAWN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
2 CFR 200.511(b)
DECEMBER 31, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Significant Deficiency - Financial Reporting - The City erroneously capitalized an infrastructure project twice thereby overstating Broadband Fund capital assets, overstating Broadband Fund Contributed Capital, understating Governmental Activities Utility Services expenses, and overstating Governmental Activities Transfers each by \$196,005.	Corrective Action Taken and Finding is Fully Corrected	N/A

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



CITY OF FAIRLAWN

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 11/4/2021

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

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