

CITY OF OREGON, OHIO

BASIC FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
DECEMBER 31, 2020**

Prepared by:

**Finance Department
DarLynn Huntermark,
Director**

OHIO AUDITOR OF STATE
KEITH FABER



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Members of Council
City of Oregon
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Oregon, Ohio 43616

We have reviewed the *Independent Auditors' Report* of the City of Oregon, Lucas County, prepared by Rehmann Robson LLC, for the audit period January 1, 2020 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in cursive script that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 02, 2021

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CITY OF OREGON, OHIO

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INDEPENDENT AUDITORS' REPORT

June 25, 2021

Honorable Mayor and
Members of the City Council
City of Oregon, Ohio

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Oregon, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditors' Responsibility

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

Rehmann is an independent member of Nexia International.



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

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

Opinions

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

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2021, on our consideration of the City of Oregon, Ohio's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Rehmann Robson LLC

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CITY OF OREGON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2020

Unaudited

The discussion and analysis of the City of Oregon's financial performance provides an overall review of the City's financial activities for the fiscal 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 notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2020 are as follows:

- ❑ In total, net position increased \$3,559,486. Net position of governmental activities increased \$1,570,450 from 2019. Net position of business-type activities increased \$1,989,036 from 2019.
- ❑ General revenues accounted for \$26 million in revenue or 51% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for the remaining 49% of total revenues.
- ❑ The City had \$32.7 million in expenses related to governmental activities; only \$10.6 million of these expenses were offset by program specific charges for services, grants or contributions. General revenues (primarily taxes) of \$26 million were adequate to provide for these programs.
- ❑ Among major funds, the general fund had \$25 million in revenues and \$19.4 million in expenditures. The general fund's fund balance increased \$1,478,036 to \$24,688,233.
- ❑ Net position for enterprise funds on an accrual basis increased by \$1,872,921.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – *management's discussion and analysis*, the *basic financial statements and required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

CITY OF OREGON, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2020*

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Government-wide Statements

The government-wide statements report information about the City as a whole using accepted methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position (the difference between the City's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources) is one way to measure the City's financial health or position.

- Over time, increases or decreases in the City's net position is an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as property tax base, current property tax laws, conditions of the City's infrastructure and continued growth within the City.

The government-wide financial statements of the City are divided into two categories:

- Governmental Activities – Most of the City's programs and services are reported here including security of persons and property, public health and welfare services, leisure time activities, community environment, basic utility services, transportation and general government.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's water and sewer services are reported as business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance projects. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

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**Management's Discussion and Analysis
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Proprietary Funds – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. 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 programs. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Assets and Liabilities and a separate Statement of Fiduciary Net Position.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The following table provides a comparison of net position between 2020 and 2019:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$51,344,275	\$43,875,454	\$17,434,095	\$16,954,382	\$68,778,370	\$60,829,836
Capital assets, Net	89,530,705	87,961,231	85,396,794	83,722,805	174,927,499	171,684,036
Total assets	<u>140,874,980</u>	<u>131,836,685</u>	<u>102,830,889</u>	<u>100,677,187</u>	<u>243,705,869</u>	<u>232,513,872</u>
Deferred outflows of resources	<u>6,277,062</u>	<u>10,432,638</u>	<u>1,118,429</u>	<u>1,953,623</u>	<u>7,395,491</u>	<u>12,386,261</u>
Net pension liability	23,333,504	30,412,269	4,222,120	5,774,368	27,555,624	36,186,637
Net OPEB liability	8,158,410	7,965,702	2,921,041	2,716,078	11,079,451	10,681,780
Other long-term liabilities	20,312,624	15,727,444	44,356,270	45,374,439	64,668,894	61,101,883
Other liabilities	3,096,843	2,049,752	698,296	378,664	3,795,139	2,428,416
Total liabilities	<u>54,901,381</u>	<u>56,155,167</u>	<u>52,197,727</u>	<u>54,243,549</u>	<u>107,099,108</u>	<u>110,398,716</u>
Deferred inflows of resources	<u>7,406,553</u>	<u>2,840,498</u>	<u>1,463,654</u>	<u>88,360</u>	<u>8,870,207</u>	<u>2,928,858</u>
Net position:						
Net investment in capital assets	72,074,585	75,202,792	41,912,633	39,269,394	113,987,218	114,472,186
Restricted	17,563,507	12,804,425	0	0	17,563,507	12,804,425
Unrestricted (Deficit)	<u>(4,793,984)</u>	<u>(4,733,559)</u>	<u>8,375,304</u>	<u>9,029,507</u>	<u>3,581,320</u>	<u>4,295,948</u>
Total net position	<u>\$84,844,108</u>	<u>\$83,273,658</u>	<u>\$50,287,937</u>	<u>\$48,298,901</u>	<u>\$135,132,045</u>	<u>\$131,572,559</u>

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

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This

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***Management's Discussion and Analysis
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approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*.

GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability 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 and net OPEB liability, respectively, not accounted for as deferred inflows/outflows. As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting.

CITY OF OREGON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2020

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Changes in Net Position – The following table shows the changes in net position for the fiscal year 2020 and 2019:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for Services and Sales	\$4,945,587	\$3,244,237	\$13,444,817	\$13,299,579	\$18,390,404	\$16,543,816
Operating Grants and Contributions	3,105,448	2,114,758	0	0	3,105,448	2,114,758
Capital Grants and Contributions	2,584,995	1,358,442	808,887	333,084	3,393,882	1,691,526
General Revenues:						
Property Taxes	1,131,780	1,091,398	0	0	1,131,780	1,091,398
Payments in Lieu of Taxes	678,854	647,371	0	0	678,854	647,371
Income Taxes	20,082,436	21,464,394	0	0	20,082,436	21,464,394
Shared Revenues	1,377,948	1,353,352	0	0	1,377,948	1,353,352
Investment Earnings	1,343,485	1,506,686	20,854	21,475	1,364,339	1,528,161
Miscellaneous	1,190,879	992,059	0	0	1,190,879	992,059
Total Revenues	<u>36,441,412</u>	<u>33,772,697</u>	<u>14,274,558</u>	<u>13,654,138</u>	<u>50,715,970</u>	<u>47,426,835</u>
Program Expenses						
Security of Persons and Property	13,858,628	4,790,649	0	0	13,858,628	4,790,649
Public Health and Welfare Services	443,770	562,290	0	0	443,770	562,290
Leisure Time Activities	1,398,714	2,640,563	0	0	1,398,714	2,640,563
Community Environment	1,500,624	1,341,148	0	0	1,500,624	1,341,148
Basic Utility Services	898,649	1,913,928	0	0	898,649	1,913,928
Transportation	7,118,011	7,746,143	0	0	7,118,011	7,746,143
General Government	7,216,229	5,915,344	0	0	7,216,229	5,915,344
Interest and Fiscal Charges	237,337	180,187	0	0	237,337	180,187
Water	0	0	8,441,774	9,475,527	8,441,774	9,475,527
Sewer	0	0	6,042,748	6,847,901	6,042,748	6,847,901
Total Expenses	<u>32,671,962</u>	<u>25,090,252</u>	<u>14,484,522</u>	<u>16,323,428</u>	<u>47,156,484</u>	<u>41,413,680</u>
Excess (Deficiency) Before Transfers	3,769,450	8,682,445	(209,964)	(2,669,290)	3,559,486	6,013,155
Transfers In (Out)	<u>(2,199,000)</u>	<u>(2,205,000)</u>	<u>2,199,000</u>	<u>2,205,000</u>	<u>0</u>	<u>0</u>
Total Change in Net Position	1,570,450	6,477,445	1,989,036	(464,290)	3,559,486	6,013,155
Beginning Net Position, Restated	<u>83,273,658</u>	<u>76,796,213</u>	<u>48,298,901</u>	<u>48,763,191</u>	<u>131,572,559</u>	<u>125,559,404</u>
Ending Net Position	<u>\$84,844,108</u>	<u>\$83,273,658</u>	<u>\$50,287,937</u>	<u>\$48,298,901</u>	<u>\$135,132,045</u>	<u>\$131,572,559</u>

CITY OF OREGON, OHIO

**Management's Discussion and Analysis
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Unaudited

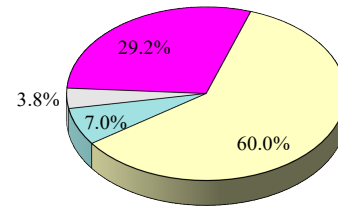
Governmental Activities

Net position of the City's governmental activities increased by \$1,570,450. The increase in net position is primarily due to changes in the Police and Fire Net OPEB which is reflected insecurity of persons and property expenditures.

The City receives an income tax, which is based on 2.25% of all salaries, wages, commissions and other compensation earned from residents living within the City and from nonresidents for work or services performed or rendered in the City.

Property taxes and income taxes made up 3.1% and 55.1% respectively of revenues for governmental activities for the City in fiscal year 2020. The City's reliance upon tax revenues is demonstrated by the following graph indicating 60.0% of total revenues from general tax revenues:

Revenue Sources	2020	Percent of Total
General Shared Revenues	\$1,377,948	3.8%
Program Revenues	10,636,030	29.2%
General Tax Revenues	21,893,070	60.0%
General Other	2,534,364	7.0%
Total Revenue	<u>\$36,441,412</u>	<u>100.00%</u>



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Business-Type Activities

Net position of the business-type activities increased by \$1,989,036. This increase was due in large part to a decrease in costs associated with ongoing projects at the water treatment and wastewater treatment plants during 2020.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$41,850,714, which is an increase from last year's balance of \$35,610,027. The schedule below indicates the fund balance and the total change in fund balance by fund type as of December 31, 2020 and 2019:

	Fund Balance December 31, 2020	Fund Balance December 31, 2019	Increase (Decrease)
General	\$24,688,233	\$23,210,197	\$1,478,036
Solid Waste, Bonds and CIP	6,788,655	1,603,104	5,185,551
Other Governmental	10,373,826	10,796,726	(422,900)
Total	\$41,850,714	\$35,610,027	\$6,240,687

The increase in fund balance for the Solid Waste, Bonds and CIP Fund was largely related to the issuance of \$5,300,000 worth of Fire Station general obligation bonds during the year. The decrease in other governmental fund balance can mostly be attributed to an increase in expenditures related to storm sewer projects and other capital projects, combined with a decrease in transfers in from the general fund.

General Fund – The City's General Fund balance increase is due to many factors. The tables that follow assist in illustrating the financial activities and balance of the General Fund:

	2020 Revenues	2019 Revenues	Increase (Decrease)
Taxes	\$17,445,361	\$18,388,355	(\$942,994)
Intergovernmental Revenue	852,712	687,622	165,090
Charges for Services	2,732,331	2,297,190	435,141
Fines, Licenses and Permits	466,308	463,065	3,243
Investment Earnings	1,372,342	1,493,093	(120,751)
Special Assessments	4,113	167,131	(163,018)
All Other Revenue	2,122,607	384,423	1,738,184
Total	\$24,995,774	\$23,880,879	\$1,114,895

General Fund revenues in 2020 increased approximately 4.7% compared to revenues in fiscal year 2019. The most significant factor was an increase in all other revenue which was mostly related to the Workers' Compensation (BWC) COVID-19 Rebates/Dividends. This increase was somewhat offset by a decrease in income tax revenue which can be related to the ongoing COVID-19 pandemic and people being out of work during 2020.

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	<u>2020</u>	<u>2019</u>	<u>Increase</u>
	<u>Expenditures</u>	<u>Expenditures</u>	<u>(Decrease)</u>
Security of Persons and Property	\$8,734,498	\$10,152,975	(\$1,418,477)
Public Health and Welfare Services	372,392	437,593	(65,201)
Leisure Time Activities	13,050	7,100	5,950
Community Environment	628,694	608,890	19,804
Transportation	3,031,966	3,398,176	(366,210)
General Government	6,490,885	4,311,497	2,179,388
Debt Service:			
Principal Retirement	121,853	0	121,853
Interest and Fiscal Charges	39,265	0	39,265
Total	<u>\$19,432,603</u>	<u>\$18,916,231</u>	<u>\$516,372</u>

General Fund expenditures increased by 2.7% compared to the prior year mostly due to increases in general government. The increase in General Government was mostly related to a large income tax refund payable in 2018 that was reversed against the 2019 General Government expenditures, causing a large decrease last year. There was also a large income tax refund payable in 2020, further increasing the General Government expenditures. Security of persons and property decreased due to the eligible public health and safety expenses being applied to the Coronavirus Relief Reimbursement Fund.

GENERAL FUND BUDGETARY INFORMATION

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

During the course of fiscal year 2020 the City amended its General Fund budget several times, none were significant.

For the General Fund, final budget basis revenue of \$20.3 million changed from the original budget estimates of \$22.1 million. The General Fund had an adequate fund balance to cover expenditures.

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CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal 2020 the City had \$174,927,499 net of accumulated depreciation invested in land, improvements, infrastructure, buildings, machinery and equipment, vehicles and construction in progress. Of this total, \$89,530,705 was related to governmental activities and \$85,396,794 to business-type activities. The following table shows fiscal year 2020 and 2019 balances:

	Governmental Activities		Increase (Decrease)
	2020	2019	
Land and Land Improvements	\$15,158,630	\$14,843,623	\$315,007
Construction in Progress	10,629,487	18,067,758	(7,438,271)
Buildings and Improvements	13,891,013	13,881,713	9,300
Machinery and Equipment	6,119,949	5,855,103	264,846
Vehicles	10,448,634	10,287,154	161,480
Infrastructure	89,722,786	78,223,254	11,499,532
Less: Accumulated Depreciation	(56,439,794)	(53,197,374)	(3,242,420)
Totals	\$89,530,705	\$87,961,231	\$1,569,474

	Business-Type Activities		Increase (Decrease)
	2020	2019	
Land	\$756,016	\$756,016	\$0
Construction in Progress	6,440,004	4,340,141	2,099,863
Buildings and Distributions	142,649,365	140,198,044	2,451,321
Machinery and Equipment	16,140,898	16,156,519	(15,621)
Vehicles	1,328,181	1,285,132	43,049
Less: Accumulated Depreciation	(81,917,670)	(79,013,047)	(2,904,623)
Totals	\$85,396,794	\$83,722,805	\$1,673,989

The primary decreases in governmental capital assets occurred in construction in progress and the primary increases were in infrastructure. This was primarily due to the completion of construction for the Navarre Avenue Safety Project of \$5,635,009. Other large projects that were completed, increasing infrastructure included the Pickle Road Storm Sewer Relief Project and the Old Millard Bridge Replacement.

The primary increases for business-type capital assets were in construction in progress and buildings and distributions. This was primarily due to the completed construction for the SW Water Distribution Improvement Project, and the continuous improvements to the Navarre Ave Waterline Replacement Phase 2 Project and the Starr Extension Waterline Replacement Project. Ongoing improvements to the water and sewer plants and infrastructure continue to be made.

As of December 31, 2020, the City has contractual commitments of \$9,432,218, as listed in Note 15, for various projects. Included in these projects are street improvements, storm drainage and sanitary sewer, improvements to the Waste Water Treatment Plant and the Water Treatment Plant. Additional information on the City's capital assets can be found in Note 10.

CITY OF OREGON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

Unaudited

Debt

At December 31, 2020, the City had \$9.8 million in bonds outstanding, \$300,000 due within one year. The following table summarizes the City's debt outstanding as of December 31, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Governmental Activities:		
General Obligation Bonds	\$9,833,215	\$4,741,136
OPWC Loans Payable	793,504	830,999
Long-Term Loan Payable	1,112,686	1,234,539
Pension Liability	35,509	37,262
Net Pension Liability	23,333,504	30,412,269
Net OPEB Liability	8,158,410	7,965,702
Workers Compensation Liability	38,741	57,222
Capital Lease Payable	5,716,715	5,951,765
Compensated Absences	2,782,254	2,874,521
Total Governmental Activities	<u>51,804,538</u>	<u>54,105,415</u>
Business-Type Activities:		
OWDA Loans Payable	\$41,101,451	\$42,149,295
OPWC Loans Payable	2,377,710	2,304,116
Net Pension Liability	4,222,120	5,774,368
Net OPEB Liability	2,921,041	2,716,078
Compensated Absences	877,109	921,028
Total Business-Type Activities	<u>51,499,431</u>	<u>53,864,885</u>
Totals	<u>\$103,303,969</u>	<u>\$107,970,300</u>

State statutes limit the amount of unvoted general obligation debt the City may issue. The aggregate amount of the City's unvoted debt is also subject to overlapping debt restrictions with other political subdivisions. The actual aggregate amount of the City's unvoted debt, when added to that of other political subdivisions within the respective counties in which the City lies, is limited to ten mills. At December 31, 2020, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 14.

CITY OF OREGON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2020***

Unaudited

ECONOMIC FACTORS

The City's original budget for 2020 utilized conservative revenue estimates with some adjustments in base operating costs.

Department requests were modified from original submissions; certain requested capital projects and capital acquisitions were eliminated or reduced; and only those items that management and City Council determined necessary were appropriated.

The City has taken steps in recent years to achieve greater economic diversity and will continue to take measures to insulate itself to the extent possible from economic challenges that any one sector faces. Over the last ten years, the City has invested heavily in its public infrastructure to ensure that roads, water, sewer, and equipment needs were taken care of so that the City could be well-prepared for any future downturns. In 2020, the City dealt with the economic impact from COVID-19 by reducing expenditures on major capital projects and saved on personnel expenses through attrition and flat wage agreements.

City Council continues to keep a close watch of current economic conditions to determine if increased revenues, or reductions in expenditures, are necessary to maintain fiscal stability.

REQUESTS FOR INFORMATION

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 the Finance Department by calling 419-698-7000 or writing to City of Oregon Finance Department, 5330 Seaman Road, Oregon, Ohio 43616.

CITY OF OREGON, OHIO

Statement of Net Position
December 31, 2020

	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in Pooled Cash and Investments	\$ 44,642,056	\$ 12,715,433	\$ 57,357,489
Receivables:			
Taxes	4,142,870	0	4,142,870
Accounts	91,085	1,857,601	1,948,686
Intergovernmental	1,099,344	0	1,099,344
Payments in Lieu of Taxes	88,635	0	88,635
Interest	93,381	0	93,381
Special Assessments	1,597,683	1,413,165	3,010,848
Internal Balances	(986,224)	986,224	0
Inventory of Supplies at Cost	339,723	362,681	702,404
Prepaid Items	235,722	98,991	334,713
Capital Assets:			
Capital Assets Not Being Depreciated	15,511,517	7,196,020	22,707,537
Capital Assets Being Depreciated, Net	74,019,188	78,200,774	152,219,962
Total Assets	140,874,980	102,830,889	243,705,869
Deferred Outflows of Resources:			
Pension	3,789,938	644,057	4,433,995
OPEB	2,487,124	474,372	2,961,496
Total Deferred Outflows of Resources	6,277,062	1,118,429	7,395,491
Liabilities:			
Accounts Payable	2,245,794	548,206	2,794,000
Accrued Wages and Benefits	714,242	145,090	859,332
Intergovernmental Payable	74,474	0	74,474
Retainage Payable	26,855	5,000	31,855
Accrued Interest Payable	35,478	0	35,478
Noncurrent liabilities:			
Due within one year	1,721,735	4,146,413	5,868,148
Net Pension Liability	23,333,504	4,222,120	27,555,624
Net OPEB Liability	8,158,410	2,921,041	11,079,451
Due in more than one year	18,590,889	40,209,857	58,800,746
Total Liabilities	54,901,381	52,197,727	107,099,108
Deferred Inflows of Resources:			
Property Tax Levy for Next Fiscal Year	1,232,550	0	1,232,550
Pension	4,060,672	994,658	5,055,330
OPEB	2,113,331	468,996	2,582,327
Total Deferred Inflows of Resources	7,406,553	1,463,654	8,870,207

CITY OF OREGON, OHIO

	Governmental Activities	Business-Type Activities	Total
Net Position:			
Net Investment in Capital Assets	72,074,585	41,912,633	113,987,218
Restricted For:			
Capital Projects	8,994,821	0	8,994,821
Debt Service	964,879	0	964,879
Street Construction, Maintenance and Repair	1,176,445	0	1,176,445
Court Special Projects	235,484	0	235,484
Storm Sewer Project	1,151,389	0	1,151,389
Street Lighting	1,380,563	0	1,380,563
Perpetual Care:			
Nonexpendable	69,980	0	69,980
Other Purposes	3,589,946	0	3,589,946
Unrestricted (Deficit)	(4,793,984)	8,375,304	3,581,320
Total Net Position	\$ 84,844,108	\$ 50,287,937	\$ 135,132,045

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Statement of Activities
For the Year Ended December 31, 2020

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Security of Persons and Property	\$ 13,858,628	\$ 623,149	\$ 1,661,674	\$ 447,718
Public Health and Welfare Services	443,770	75,696	0	0
Leisure Time Activities	1,398,714	190,632	0	0
Community Environment	1,500,624	266,360	0	0
Basic Utility Services	898,649	0	0	255,007
Transportation	7,118,011	36,007	1,443,774	1,877,242
General Government	7,216,229	3,753,743	0	5,028
Interest and Fiscal Charges	237,337	0	0	0
Total Governmental Activities	32,671,962	4,945,587	3,105,448	2,584,995
Business-Type Activities:				
Water	8,441,774	7,995,219	0	452,560
Sewer	6,042,748	5,449,598	0	356,327
Total Business-Type Activities	14,484,522	13,444,817	0	808,887
Totals	\$ 47,156,484	\$ 18,390,404	\$ 3,105,448	\$ 3,393,882

General Revenues

Property Taxes
 Payments in Lieu of Taxes
 Municipal Income Taxes
 Grants and Entitlements not Restricted to Specific Programs
 Investment Earnings
 Miscellaneous
 Transfers
 Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year
 Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Net (Expense) Revenue
and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (11,126,087)	\$ 0	\$ (11,126,087)
(368,074)	0	(368,074)
(1,208,082)	0	(1,208,082)
(1,234,264)	0	(1,234,264)
(643,642)	0	(643,642)
(3,760,988)	0	(3,760,988)
(3,457,458)	0	(3,457,458)
(237,337)	0	(237,337)
<u>(22,035,932)</u>	<u>0</u>	<u>(22,035,932)</u>
0	6,005	6,005
0	(236,823)	(236,823)
<u>0</u>	<u>(230,818)</u>	<u>(230,818)</u>
<u>(22,035,932)</u>	<u>(230,818)</u>	<u>(22,266,750)</u>
1,131,780	0	1,131,780
678,854	0	678,854
20,082,436	0	20,082,436
1,377,948	0	1,377,948
1,343,485	20,854	1,364,339
1,190,879	0	1,190,879
(2,199,000)	2,199,000	0
<u>23,606,382</u>	<u>2,219,854</u>	<u>25,826,236</u>
1,570,450	1,989,036	3,559,486
83,273,658	48,298,901	131,572,559
<u>\$ 84,844,108</u>	<u>\$ 50,287,937</u>	<u>\$ 135,132,045</u>

CITY OF OREGON, OHIO

**Balance Sheet
Governmental Funds
December 31, 2020**

	General	Solid Waste, Bonds and CIP	Other Governmental Funds	Total Governmental Funds
Assets:				
Equity in Pooled Cash and Investments	\$ 24,592,258	\$ 6,611,565	\$ 10,702,520	\$ 41,906,343
Receivables:				
Taxes	3,277,050	327,981	537,839	4,142,870
Accounts	54,660	0	36,425	91,085
Intergovernmental	449,268	0	650,076	1,099,344
Payments in Lieu of Taxes	0	0	88,635	88,635
Interest	93,381	0	0	93,381
Special Assessments	24,947	10,772	1,561,964	1,597,683
Interfund Loans Receivables	0	0	84,753	84,753
Inventory of Supplies, at Cost	339,723	0	0	339,723
Prepaid Items	200,932	0	25,590	226,522
Total Assets	\$ 29,032,219	\$ 6,950,318	\$ 13,687,802	\$ 49,670,339
Liabilities:				
Accounts Payable	\$ 1,978,578	\$ 55,160	\$ 211,856	\$ 2,245,594
Accrued Wages and Benefits Payable	617,314	0	80,112	697,426
Intergovernmental Payable	74,474	0	0	74,474
Retainage Payable	0	20,855	6,000	26,855
Interfund Loans Payable	0	0	560,967	560,967
Total Liabilities	2,670,366	76,015	858,935	3,605,316
Deferred Inflows of Resources:				
Unavailable Amounts	888,773	85,647	2,007,339	2,981,759
Property Tax for Next Fiscal Year	784,847	0	447,703	1,232,550
Total Deferred Inflows of Resources	1,673,620	85,647	2,455,042	4,214,309
Fund Balances:				
Nonspendable	540,655	0	95,570	636,225
Restricted	0	6,788,655	8,873,175	15,661,830
Committed	805,005	0	1,926,751	2,731,756
Assigned	7,903,497	0	0	7,903,497
Unassigned	15,439,076	0	(521,670)	14,917,406
Total Fund Balances	24,688,233	6,788,655	10,373,826	41,850,714
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 29,032,219	\$ 6,950,317	\$ 13,687,803	\$ 49,670,339

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities December 31, 2020

Total Governmental Fund Balances \$ 41,850,714

***Amounts reported for governmental activities in the
statement of net position are different because***

Capital Assets used in governmental activities are not resources and therefore are not reported in the funds. 89,530,705

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Municipal Income Taxes	673,943	
Property Taxes	46,829	
Interest Revenues	55,197	
Special Assessments	1,597,683	
Intergovernmental	<u>608,107</u>	2,981,759

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

Deferred Outflows - Pension	3,789,938	
Deferred Inflows - Pension	(4,060,672)	
Deferred Outflows - OPEB	2,487,124	
Deferred Inflows - OPEB	(2,113,331)	
Net Pension Liability	(23,333,504)	
Net OEPB Liability	<u>(8,158,410)</u>	(31,388,855)

Accrued interest on outstanding debt is not due and payable in the current period and, therefore, is not reported in the funds. (35,478)

Internal service funds are used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position. 2,179,146

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds Payable	(9,400,000)	
Ohio Public Works Commission Loan Payable	(793,504)	
Long-Term Loan Payable	(1,112,686)	
Accrued Pension Liability	(35,509)	
Premium on General Obligation Bonds Payable	(433,215)	
Capital Leases Payable	(5,716,715)	
Compensated Absences Payable	<u>(2,782,254)</u>	<u>(20,273,883)</u>

Net Position of Governmental Activities **\$ 84,844,108**

See accompanying notes to the basic financial statements

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CITY OF OREGON, OHIO

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2020

	General	Solid Waste, Bonds and CIP	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property Taxes	\$ 761,704	\$ 0	\$ 361,624	\$ 1,123,328
Payments in Lieu of Taxes	0	0	678,854	678,854
Municipal Income Taxes	16,683,657	2,267,970	1,135,007	20,086,634
Intergovernmental Revenues	852,712	0	5,521,336	6,374,048
Charges for Services	2,732,331	4,400	206,910	2,943,641
Licenses, Permits and Fees	266,114	0	0	266,114
Investment Earnings	1,372,342	0	1,586	1,373,928
Special Assessments	4,113	6,102	621,213	631,428
Fines and Forfeitures	200,194	0	107,852	308,046
Donations	0	0	40,863	40,863
All Other Revenue	2,122,607	0	350,412	2,473,019
Total Revenues	24,995,774	2,278,472	9,025,657	36,299,903
Expenditures:				
Current:				
Security of Persons and Property	8,734,498	0	3,530,421	12,264,919
Public Health and Welfare Services	372,392	0	8,642	381,034
Leisure Time Activities	13,050	0	1,127,389	1,140,439
Community Environment	628,694	0	855,511	1,484,205
Basic Utility Services	0	0	826,896	826,896
Transportation	3,031,966	0	1,496,307	4,528,273
General Government	6,490,885	0	134,239	6,625,124
Capital Outlay	0	1,349,641	3,810,695	5,160,336
Debt Service:				
Principal Retirement	121,853	8,024	594,521	724,398
Interest & Fiscal Charges	39,265	147,857	165,135	352,257
Total Expenditures	19,432,603	1,505,522	12,549,756	33,487,881
Excess (Deficiency) of Revenues				
Over Expenditures	5,563,171	772,950	(3,524,099)	2,812,022
Other Financing Sources (Uses):				
Sale of Capital Assets	106,069	0	0	106,069
General Obligation Bonds Issued	0	5,300,000	0	5,300,000
Payments to Refunding Bonds Escrow Agent	0	(2,353,332)	(1,972,223)	(4,325,555)
Refunding Bonds Issued	0	2,215,000	1,885,000	4,100,000
Premium on Bonds Issued	0	286,189	182,356	468,545
Transfers In	0	0	3,499,998	3,499,998
Transfers Out	(4,169,810)	(1,035,256)	(493,932)	(5,698,998)
Total Other Financing Sources (Uses)	(4,063,741)	4,412,601	3,101,199	3,450,059
Net Change in Fund Balances	1,499,430	5,185,551	(422,900)	6,262,081
Fund Balances at Beginning of Year	23,210,197	1,603,104	10,796,726	35,610,027
Decrease in Inventory Reserve	(21,394)	0	0	(21,394)
Fund Balances End of Year	\$ 24,688,233	\$ 6,788,655	\$ 10,373,826	\$ 41,850,714

See accompanying notes to the basic financial statements

CITY OF OREGON, 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 \$ 6,262,081

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 outlay exceeded depreciation in the current period.

Capital Outlay	5,254,719	
Depreciation	(3,663,041)	1,591,678

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets net of proceeds received. (22,204)

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

Municipal Income Taxes	(4,198)	
Property Taxes	8,452	
Interest	(30,443)	
Special Assessments	79,845	
Intergovernmental	(18,216)	35,440

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

Pension	1,811,431	
OPEB	24,189	1,835,620

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

Pension	(2,913,625)	
OPEB	(697,827)	(3,611,452)

The issuance of long-term debt provides current financial resources to governmental funds, but has no effect on net position. In addition, repayment of bond, note and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

General Obligation Bonds Principal	4,640,000	
Amortization of Premium on G.O. Bonds	136,466	
OPWC Loans Principal	37,495	
General Obligation Bonds Issued	(9,400,000)	
Premium on New General Obligation Bonds Issued	(468,545)	
Long-Term Loan Principal	121,853	
Capital Lease Principal	235,050	
Ohio Police and Fire Principal Payment	1,753	(4,695,928)

(Continued)

CITY OF OREGON, OHIO

Interest is reported as an expenditure when due in the governmental funds but is accrued on outstanding debt on the statement of net position. Premiums are reported as revenues when the debt is first issued; however, these amounts are deferred and amortized on the statement of net position.

Accrued Interest Payable	(5,991)
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Some expenses reported on the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Decrease in Supplies Inventory	(21,394)	
Decrease in Compensated Absences Payable	92,267	70,873

The internal service funds are used by management to charge the costs of services to individual funds and is not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service funds are allocated among the governmental activities.

110,333

Change in Net Position of Governmental Activities

\$ 1,570,450

See accompanying notes to the basic financial statements

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CITY OF OREGON, 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**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property Taxes	\$ 825,100	\$ 761,641	\$ 761,704	\$ 63
Municipal Income Taxes	17,081,790	14,580,982	16,329,213	1,748,231
Intergovernmental Revenue	503,025	591,911	696,012	104,101
Charges for Services	2,402,120	3,012,739	2,739,642	(273,097)
Licenses, Permits and Fees	229,596	276,476	266,114	(10,362)
Investment Earnings	510,000	510,000	661,400	151,400
Special Assessments	6,444	4,113	4,113	0
Fines and Forfeitures	248,400	248,400	207,271	(41,129)
All Other Revenues	293,103	391,250	2,128,986	1,737,736
Total Revenues	<u>22,099,578</u>	<u>20,377,512</u>	<u>23,794,455</u>	<u>3,416,943</u>
Expenditures:				
Current:				
Security of Persons and Property	10,345,911	10,647,246	8,972,818	1,674,428
Public Health and Welfare Services	521,702	524,006	381,853	142,153
Leisure Time Activities	13,050	13,050	13,050	0
Community Environment	642,794	659,412	633,790	25,622
Transportation	3,764,346	3,766,854	3,095,995	670,859
General Government	5,478,465	5,544,904	4,878,723	666,181
Debt Service:				
Principal Retirement	121,853	121,853	121,853	0
Interest and Fiscal Charges	39,265	39,265	39,265	0
Total Expenditures	<u>20,927,386</u>	<u>21,316,590</u>	<u>18,137,347</u>	<u>3,179,243</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	1,172,192	(939,078)	5,657,108	6,596,186
Other Financing Sources (Uses):				
Sale of Capital Assets	1,000	87,456	106,069	18,613
Transfers Out	(4,601,310)	(4,171,310)	(4,171,310)	0
Total Other Financing Sources (Uses):	<u>(4,600,310)</u>	<u>(4,083,854)</u>	<u>(4,065,241)</u>	<u>18,613</u>
Net Change In Fund Balance	(3,428,118)	(5,022,932)	1,591,867	6,614,799
Fund Balance at Beginning of Year	21,453,187	21,453,187	21,453,187	0
Prior Year Encumbrances	324,607	324,607	324,607	0
Fund Balance at End of Year	<u>\$ 18,349,676</u>	<u>\$ 16,754,862</u>	<u>\$ 23,369,661</u>	<u>\$ 6,614,799</u>

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2020**

	Business-Type Activities			Governmental Activities - Internal Service Funds
	Enterprise Funds			
	Water	Sewer	Total	
ASSETS				
Current assets:				
Equity in Pooled Cash and Investments	\$ 5,338,731	\$ 7,376,702	\$ 12,715,433	\$ 2,735,713
Accounts receivable (net of allow for uncollectibles)	987,953	869,648	1,857,601	0
Special Assessments receivable	0	1,413,165	1,413,165	0
Interfund Loans Receivable	452,691	23,523	476,214	0
Inventory of Supplies at Cost	340,886	21,795	362,681	0
Prepaid Items	57,853	41,138	98,991	9,200
Total current assets	<u>7,178,114</u>	<u>9,745,971</u>	<u>16,924,085</u>	<u>2,744,913</u>
Noncurrent assets:				
Capital assets:				
Property, Plant and Equipment	75,714,897	85,159,563	160,874,460	0
Construction in Progress	5,237,015	1,202,989	6,440,004	0
Less accumulated depreciation	(29,717,201)	(52,200,469)	(81,917,670)	0
Total capital assets (net of accumulated depr)	<u>51,234,711</u>	<u>34,162,083</u>	<u>85,396,794</u>	<u>0</u>
Total assets	<u>58,412,825</u>	<u>43,908,054</u>	<u>102,320,879</u>	<u>2,744,913</u>
Deferred Outflows of Resources:				
Pension	378,871	265,186	644,057	0
OPEB	279,074	195,298	474,372	0
Total Deferred Outflows of Resources	<u>657,945</u>	<u>460,484</u>	<u>1,118,429</u>	<u>0</u>
LIABILITIES				
Current liabilities:				
Accounts Payable	429,866	118,340	548,206	200
Accrued Wages and Benefits	88,973	56,117	145,090	16,816
Retainage Payable	3,000	2,000	5,000	0
Compensated Absences Payable - Current	232,774	128,370	361,144	0
OWDA Loans Payable - Current	1,915,328	1,620,693	3,536,021	0
OPWC Loans Payable - Current	141,046	117,872	258,918	0
Total Current Liabilities	<u>2,810,987</u>	<u>2,043,392</u>	<u>4,854,379</u>	<u>17,016</u>

CITY OF OREGON, OHIO

	Business-Type Activities			Governmental Activities - Internal Service Funds
	Enterprise Funds			
	Water	Sewer	Total	
Noncurrent Liabilities:				
Workers Compensation Liability	0	0	0	38,741
OWDA Loans Payable	17,378,994	20,186,436	37,565,430	0
OPWC Loans Payable	709,004	1,409,788	2,118,792	0
Net Pension Liability	2,482,614	1,739,506	4,222,120	0
Net OPEB Liability	1,717,576	1,203,465	2,921,041	0
Compensated Absences Payable	287,075	228,890	515,965	0
Total noncurrent liabilities	<u>22,575,263</u>	<u>24,768,085</u>	<u>47,343,348</u>	<u>38,741</u>
Total Liabilities	<u>25,386,250</u>	<u>26,811,477</u>	<u>52,197,727</u>	<u>55,757</u>
Deferred Inflows of Resources:				
Pension	584,858	409,800	994,658	0
OPEB	275,770	193,226	468,996	0
Total Deferred Inflows of Resources	<u>860,628</u>	<u>603,026</u>	<u>1,463,654</u>	<u>0</u>
NET POSITION				
Net Investment in Capital Assets	31,087,339	10,825,294	41,912,633	0
Unrestricted	1,736,553	6,128,741	7,865,294	2,689,156
Total Net Position	<u>\$ 32,823,892</u>	<u>\$ 16,954,035</u>	<u>49,777,927</u>	<u>\$ 2,689,156</u>
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			<u>510,010</u>	
Net Position of Business-type Activities			<u>\$ 50,287,937</u>	

See accompanying notes to the basic financial statements

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CITY OF OREGON, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds For the Year Ended December 31, 2020

	Business-Type Activities			Governmental Activities - Internal Service Funds
	Enterprise Funds			
	Water	Sewer	Total	
Operating Revenues:				
Charges for Services	\$ 7,829,725	\$ 5,433,241	\$ 13,262,966	\$ 3,339,419
Other Operating Revenues	165,494	16,357	181,851	87,590
Total Operating Revenues	<u>7,995,219</u>	<u>5,449,598</u>	<u>13,444,817</u>	<u>3,427,009</u>
Operating Expenses:				
Personal Services	3,140,909	2,688,717	5,829,626	3,200,561
Contractual Services	1,997,639	1,379,895	3,377,534	0
Materials and Supplies	870,687	78,553	949,240	0
Utilities	549,705	314,812	864,517	0
Depreciation	1,758,960	1,198,235	2,957,195	0
Total Operating Expenses	<u>8,317,900</u>	<u>5,660,212</u>	<u>13,978,112</u>	<u>3,200,561</u>
Operating Income (Loss)	(322,681)	(210,614)	(533,295)	226,448
Non-Operating Revenue (Expenses):				
Interest Income	20,854	0	20,854	0
Interest and Fiscal Charges	(193,769)	(428,756)	(622,525)	0
Total Non-Operating Revenues (Expenses)	<u>(172,915)</u>	<u>(428,756)</u>	<u>(601,671)</u>	<u>0</u>
Income (Loss) Before Capital Contributions and Transfers	(495,596)	(639,370)	(1,134,966)	226,448
Capital Contributions	452,560	356,327	808,887	0
Transfers In	1,200,000	1,238,084	2,438,084	0
Transfers Out	(38,084)	(201,000)	(239,084)	0
Change in Net Position	1,118,880	754,041	1,872,921	226,448
Net Position Beginning of Year	31,705,012	16,199,994	47,905,006	2,462,708
Net Position End of Year	<u>\$ 32,823,892</u>	<u>\$ 16,954,035</u>	<u>49,777,927</u>	<u>\$ 2,689,156</u>
Change in Net Position - Total Enterprise Funds			1,872,921	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.			<u>116,115</u>	
Change in Net Position - Business-type Activities			<u>\$ 1,989,036</u>	

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

***Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020***

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Totals	
<u>Cash Flows from Operating Activities:</u>				
Cash Received from Customers	\$7,920,319	\$5,506,839	\$13,427,158	\$3,427,009
Cash Payments for Goods and Services	(3,426,256)	(1,725,523)	(5,151,779)	0
Cash Payments to Employees	(2,745,940)	(2,260,068)	(5,006,008)	(3,236,023)
Net Cash Provided by Operating Activities	1,748,123	1,521,248	3,269,371	190,986
<u>Cash Flows from Noncapital Financing Activities:</u>				
Transfers In from Other Funds	1,200,000	1,238,084	2,438,084	0
Transfers Out to Other Funds	(38,084)	(201,000)	(239,084)	0
Net Cash Provided by Noncapital Financing Activities	1,161,916	1,037,084	2,199,000	0
<u>Cash Flows from Capital and Related Financing Activities:</u>				
Acquisition and Construction of Assets	(3,918,946)	(481,133)	(4,400,079)	0
Capital Contributions	452,560	362,992	815,552	0
Ohio Water Development Authority Loans Issued	2,536,327	0	2,536,327	0
Ohio Public Works Commission Loans Issued	198,217	0	198,217	0
Principal Paid on				
Ohio Water Development Authority Loans	(1,873,809)	(1,710,362)	(3,584,171)	0
Principal Paid on				
Ohio Public Works Commission Loan	(70,522)	(54,101)	(124,623)	0
Interest Paid on All Debt	(193,769)	(428,756)	(622,525)	0
Net Cash Used for				
Noncapital Financing Activities	(2,869,942)	(2,311,360)	(5,181,302)	0
<u>Cash Flows from Investing Activities:</u>				
Receipts of Interest	20,854	0	20,854	0
Net Cash Provided by Investing Activities	20,854	0	20,854	0
Net Increase in Cash and Cash Equivalents	60,951	246,972	307,923	190,986
Cash and Cash Equivalents at Beginning of Year	5,277,780	7,129,730	12,407,510	2,544,727
Cash and Cash Equivalents at End of Year	\$5,338,731	\$7,376,702	\$12,715,433	\$2,735,713

CITY OF OREGON, OHIO

	Business-Type Activities Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Totals	
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>				
<u>Provided by Operating Activities:</u>				
Operating Income (Loss)	(\$322,681)	(\$210,614)	(\$533,295)	\$226,448
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation Expense	1,758,960	1,198,235	2,957,195	0
Changes in Assets and Liabilities:				
Decrease (Increase) in Accounts Receivable	(89,161)	50,968	(38,193)	0
Decrease in Interfund Loan Receivable	14,261	6,273	20,534	0
Increase in Inventory	(20,274)	(4,032)	(24,306)	0
Decrease (Increase) in Prepaid Items	(25,357)	4,982	(20,375)	(270)
Decrease in Deferred Outflows of Resources	513,540	321,654	835,194	0
Increase (Decrease) in Accounts Payable	37,406	46,787	84,193	(210)
Increase (Decrease) in Accrued Wages and Benefits	3,993	341	4,334	(16,501)
Decrease in Workers' Compensation Liability	0	0	0	(18,481)
Decrease in Net Pension Liability	(979,990)	(572,258)	(1,552,248)	0
Increase in Net OPEB Liability	88,878	116,085	204,963	0
Increase in Deferred Inflows of Resources	807,712	567,582	1,375,294	0
Decrease in Compensated Absences	(39,164)	(4,755)	(43,919)	0
Total Adjustments	2,070,804	1,731,862	3,802,666	(35,462)
Net Cash Provided by Operating Activities	<u>\$1,748,123</u>	<u>\$1,521,248</u>	<u>\$3,269,371</u>	<u>\$190,986</u>

Schedule of Noncash Investing, Capital and Financing Activities:

As of December 31, 2020, the Water and the Sewer Funds had outstanding liabilities of \$326,455 and \$13,555, respectively, for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

	<u>Custodial Funds</u>
Assets:	
Cash and Cash Equivalents	\$ 44,499
	<u>44,499</u>
Liabilities:	
Intergovernmental Payable	44,499
	<u>44,499</u>
Total Fiduciary Net Position	\$ 0

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

***Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2020***

	Custodial Funds
Additions:	
Contributions:	
Income Taxes Collected for Distribution	\$ 65,638
Fines, Licenses and Permits for Distribution	665,164
Deposits Received	59,114
Total Additions	<u>789,916</u>
Deductions:	
Distributions to Other Governments	789,916
Total Deductions	<u>789,916</u>
Change in Net Position	0
Fiduciary Net Position at Beginning of Year	0
Fiduciary Net Position End of Year	<u>\$ 0</u>

See accompanying notes to the basic financial statements

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Oregon, Ohio (the "City") was incorporated in 1838 under the laws of the State of Ohio. The City operates under its own Charter. The current Charter, which provides for a Mayor/Council form of government, was adopted in 1958 and has been amended several times, most recently in 2002.

A. Reporting Entity

The accompanying basic financial statements of the City present the financial position of the various fund types, the results of operations of the various fund types and the cash flows of the proprietary funds. The financial statements are presented as of December 31, 2020 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

The accompanying basic financial statements comply with the provisions of GASB Statement No. 14, "*The Financial Reporting Entity*," as amended by GASB Statement No. 61 "*The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34*," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to, or impose a financial burden on, the City.

Based on the foregoing, the City's financial reporting entity has no component units but includes all funds, agencies, boards and commissions that are part of the primary government, which includes the following services: police and fire protection, emergency medical, parks, recreation, cemetery, planning, zoning, street maintenance, judicial administration and other governmental services. In addition, the City owns and operates a water treatment and distribution system and a wastewater treatment and collection system, which are reported as enterprise funds.

The accounting policies and financial reporting practices of the City conform to GAAP as applicable to governmental units. The following is a summary of its significant accounting policies:

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures (expenses). The various funds are summarized by type in the basic financial statements. The following fund types are used by the City:

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Governmental Funds - Governmental funds are those funds through which most governmental functions are typically financed. Governmental funds are reported using the flow of current financial resources measurement focus. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities and deferred inflows of resources (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Solid Waste, Bonds and CIP Fund – This fund is used to account for revenues received from various sources to be used for construction projects within the City.

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

Proprietary Funds - All proprietary funds are reported using the flow of economic resources measurement focus. This measurement focus provides that all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in total net position.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, whereby the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise funds are:

Water Fund – This fund is used to account for the operation of the City's water service.

Sewer Fund – This fund is used to account for the operation of the City's sanitary sewer service.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City has three internal service funds, the Self Insurance Dental / Emergency Room Fund, the Workers' Compensation Fund and the Medical Spending Fund. These funds are used to account for monies received from city departments to cover the costs related to the self insurance program, potential liabilities for workers' compensation and for deposits from the employees into the medical cafeteria plan.

Fiduciary Funds - These funds are used to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. The City's only fiduciary funds are custodial funds. These funds operate on a full accrual basis of accounting. The City has four custodial funds. The four funds are the Municipal Court Fund, which accounts for monies that flow through the municipal court office, the Ohio Board of Building Standards Assessment Fund, which accounts for assessed funds as required by the Ohio Revised Code, the Income Tax Joint District Fund, which accounts for income tax funds to be distributed between the City of Oregon and the City of Northwood and the Lucas County Water Collection Fund, which accounts for a portion of the revenue from Lucas County users of the City of Oregon's water.

C. Basis of Presentation – Financial Statements

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 activity of the internal service funds is eliminated to avoid “doubling up” revenues and expenses, however, the interfund services provided and used are not eliminated in the process of consolidation.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. 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 and grants and contributions that are restricted to meeting the operational or capital requirements of 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. Certain indirect costs are included in the program expenses reported for individual functions and activities.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of 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.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses reported in the financial statements. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Revenues 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.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. 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 specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. Revenues considered susceptible to accrual at year end include income taxes withheld by employers, interest on investments, special assessment, and state levied locally shared taxes (including motor vehicle license fees, and local government assistance). Other revenues, including licenses, permits, certain charges for services and miscellaneous revenues, are recorded as revenues when received in cash because generally these revenues are not measurable until actually received.

Special assessment installments, which are measurable, but not available at December 31, are recorded as deferred inflow of resources – unavailable amount. Property taxes measurable as of December 31, 2020, but which are not intended to finance 2020 operations and delinquent property taxes, whose availability is indeterminate, are recorded as deferred inflow of resources as further described in Note 6.

The accrual basis of accounting is utilized for reporting purposes by the proprietary funds and fiduciary funds. Revenues are recognized when they are earned and expenses are recognized when they are incurred. Government-Wide Statements are also prepared using the accrual basis of accounting.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deferred Inflows/Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The City has a deferred charge on refunding in the proprietary statements of net position that qualifies for reporting in this category. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. For the City, deferred outflows of resources have been reported for the following items related to the City's net pension and other postemployment benefits (OPEB) liability/asset: (1) net difference between projected and actual investment earnings on pension plan investments, (2) the City's contributions to the pension systems subsequent to the measurement date and (3) differences between the City's contributions and the City's proportionate share of contributions. The City's deferred outflows of resources related to pension and OPEB are further discussed in Notes 11 and 12.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows. In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, income taxes, special assessments, state levied shared taxes, interest and other revenues. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The City also reports deferred inflows of resources for the differences between expected and actual experience related to the City's net pension and OPEB liability/asset. This deferred inflows of resources are only reported on the government-wide statement of net position and in the proprietary funds financial statements. The deferred inflows of resources related to pension and OPEB are further discussed in Notes 11 and 12.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process

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, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds other than agency funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of City Council.

1. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by 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 do 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 any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the first and final amended official certificate of estimated resources issued during 2020.

2. Appropriations

A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 through March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 through December 31. The appropriation ordinance establishes spending controls at the legal level. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. The allocation of appropriations among departments and objects within a fund may be modified during the year only by an ordinance of City Council. During 2020 several supplemental appropriations were necessary to budget the use of contingency funds, major capital improvement projects and intergovernmental grant proceeds. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual—for the General Fund are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

3. Encumbrances

As part of formal budgetary control, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to constrain that portion of the applicable appropriation and to determine and maintain legal compliance. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities and are reported in the fund balances for governmental funds in the accompanying basic financial statements.

4. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

5. Budgetary Basis of Accounting

The City's budgetary process accounts for certain transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. On a budgetary basis investment earnings are recognized when realized, whereas on a GAAP basis unrealized gains and losses are recognized when investments are adjusted to fair value.

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CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Budgetary Process (Continued)

5. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund:

	<u>General Fund</u>
GAAP Basis (as reported)	\$1,499,430
Increase (Decrease):	
Accrued Revenues at December 31, 2020 received during 2021	(2,239,007)
Accrued Revenues at December 31, 2019 received during 2020	1,738,688
Accrued Expenditures at December 31, 2019 paid during 2020	2,595,892
Accrued Expenditures at December 31, 2019 paid during 2020	(810,352)
2019 Adjustment to Fair Value	(70,639)
2020 Adjustment to Fair Value	(630,311)
2019 Prepays for 2020	190,796
2020 Prepays for 2021	(200,932)
Outstanding Encumbrances	(480,298)
Perspective Difference:	
Activity of Funds Reclassified for GAAP Reporting Purposes	<u>(1,400)</u>
Budget Basis	<u><u>\$1,591,867</u></u>

G. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, short-term certificates of deposit and the State Treasury Asset Reserve (STAR Ohio). STAR Ohio is a very liquid investment and is reported as a cash equivalent in the basic financial statements. The certificates of deposit are considered cash equivalents because they are highly liquid investments with original maturity dates of three months or less.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Cash and Cash Equivalents (Continued)

The City pools its cash for investment and resource management purposes. Each fund's equity in pooled cash and investments represents the balance on hand as if each fund maintained its own cash and investment account. For purposes of the statement of cash flows, the proprietary funds' shares of equity in pooled certificates of deposit are considered to be cash equivalents. See Note 5, "Cash, Cash Equivalents and Investments."

H. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution, the Ohio Revised Code and the Oregon Municipal Code. In accordance with GASB Statement No. 31, "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*", the City records all its investments at fair value except for nonparticipating investment contracts (certificates of deposit) which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, are recognized as revenue in the operating statements. Fair value is determined by quoted market prices. See Note 5, "Cash, Cash Equivalents and Investments."

The City has invested funds in the STAR Ohio during 2020. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's net asset value per share, which is the price the investment could be sold for on December 31, 2020.

I. Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds and at the lower of cost or market in the proprietary funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased and as expenses in the proprietary funds when used.

J. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements. All infrastructure acquired prior to the implementation of GASB Statement No. 34, “*Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*”, has been reported.

Contributed capital assets are measured at their acquisition value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment – Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at fair market value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Position and in the respective proprietary funds.

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

<u>Description</u>	<u>Governmental and Business-Type Activities Estimated Lives (in years)</u>
Buildings	20 - 40
Improvements other than Buildings/Infrastructure	10 - 50
Machinery, Equipment, Vehicles	3 - 10

CITY OF OREGON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

<u>Obligation</u>	<u>Fund</u>
General Obligation Bonds	General Obligation Bond Retirement Fund Sewer Fund
Special Assessment Bonds	Special Assessment Bond Retirement Fund
Ohio Water Development Authority Loans	Special Assessment Bond Retirement Fund Sewer Fund, Water Fund
Ohio Public Works Commission Loan	General Obligation Bond Retirement Fund Sewer Fund, Water Fund
Workers Compensation Liability	Workers Compensation Fund
Promissory Notes	General Obligation Bond Retirement Fund
Police and Firemen's Pension Accrued Liability	General Fund
Compensated Absences	General Fund Emergency Medical Services Operating Fund Recreation Fund, Water Fund, Sewer Fund
Capital Lease	Street Recreation Building Fund
Pension and OPEB Liabilities	General Fund Water Fund, Sewer Fund

M. Compensated Absences

All full-time City employees earn vacation at varying rates based upon length of service. Carryovers are allowed by contracts up to 40 hours for bargaining contracts and 120 hours for non-bargaining legislation. Any additions require legislative approval. Upon separation from the City, the employee (or his estate) is paid for his accumulated unused vacation leave balance.

All full-time City employees earn sick leave at the rate of 1.25 days per calendar month of active service. Upon retirement from the City's service, an employee receives one hour of monetary compensation for each two hours of unused sick leave. The monetary compensation is equal to the hourly rate of compensation of the employee at the time of retirement.

In accordance with GASB Statement No. 16, "*Accounting for Compensated Absences*," the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered or to rights that vest or accumulate, and when payment of the obligation is probable and can be reasonably determined.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Compensated Absences (Continued)

For governmental funds, that portion of unpaid compensated absences that has matured and is expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account "Compensated Absences Payable." In the government wide statement of net position, "Compensated Absences Payable" is recorded within the "Due within one year" account and the long-term portion of the liability is recorded within the "Due in more than one year" account. Compensated absences are expensed in the proprietary funds when earned and the related liability is reported within the fund.

N. Net Position

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

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

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

P. Pensions/Other Postemployment Benefits (OPEB)

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

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. In addition, interfund transfers between governmental funds are eliminated for reporting on the government-wide financial statements. Only transfers between governmental activities and business-type activities are reported on the statement of activities.

R. Estimates

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

S. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for water treatment and distribution, wastewater collection and treatment and maintenance of storm water collection systems. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

T. Contributions of Capital

Contributions of capital in proprietary fund financial statements and for governmental activities arise from outside contributions of capital assets or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions are reported as revenue in the proprietary fund financial statements and on the statement of activities.

U. Fair Value

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.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 2 – CHANGE IN ACCOUNTING PRINCIPLE

For 2020, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, “Fiduciary Activities.”

The implementation of GASB 84 had the following effect on the presentation of the financial statements of the City for 2020:

- Agency funds are now referred to as custodial funds
- Custodial funds now present a Statement of Changes in Fiduciary Net Position for the fiduciary fund.

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Fund Deficit - The fund deficit at December 31, 2020 of \$521,670 in the Cedar Point TIF Fund (special revenue fund) arose from the recognition of expenditures on the modified accrual basis of accounting which are greater than expenditures recognized on the budgetary basis and from the posting of an interfund loan payable on the modified accrual basis. The deficit does not exist under the cash basis of accounting. The General Fund provides transfers when cash is required, not when accruals occur.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 4 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, and unassigned 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 constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General Fund	Solid Waste, Bonds and CIP Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:				
Principal	\$0	\$0	\$69,980	\$69,980
Prepaid Items	200,932	0	25,590	226,522
Supplies Inventory	339,723	0	0	339,723
Total Nonspendable	<u>540,655</u>	<u>0</u>	<u>95,570</u>	<u>636,225</u>
Restricted:				
Special Assessment Debt Service Payments	0	0	466,072	466,072
Street Construction and Maintenance	0	0	818,137	818,137
State Highway Improvement	0	0	63,849	63,849
Permissive Auto Tax	0	0	114,068	114,068
Drug Law Enforcement and Education	0	0	6,277	6,277
Police Grants	0	0	28,913	28,913
Police Levy	0	0	218,565	218,565
Drug Law Enforcement	0	0	30,838	30,838
DUI and Seatbelt Grant	0	0	22,100	22,100
Fire Operation	0	0	1,522,045	1,522,045
Federal Equity Sharing	0	0	41,390	41,390
EMS Operating	0	0	243,793	243,793
Indigent Drivers Alcohol Treatment	0	0	42,676	42,676
City Recreation	0	0	307,026	307,026
Legal Computer Research	0	0	171,383	171,383
Court Special Projects	0	0	235,484	235,484
Probation Services	0	0	105,932	105,932
IDIAMF	0	0	28,962	28,962
CARES Act	0	0	14,626	14,626
Local Law Enforcement Block Grant	0	0	191	191
Cedar Point Development	0	0	152,864	152,864
Revolving Loan	0	0	217,461	217,461
FEMA	0	0	5	5
Solid Waste	0	6,788,655	0	6,788,655
Storm Sewer Projects	0	0	1,129,455	1,129,455
Street Lighting	0	0	705,435	705,435
Sewer Maintenance	0	0	7,062	7,062
Street Construction	0	0	569,012	569,012
Street, Recreation and Building	0	0	1,551,507	1,551,507
General Bond Retirement	0	0	58,047	58,047
Total Restricted	<u>0</u>	<u>6,788,655</u>	<u>8,873,175</u>	<u>15,661,830</u>

CITY OF OREGON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 4 – FUND BALANCE CLASSIFICATION (Continued)

<u>Fund Balances</u>	<u>General Fund</u>	<u>Solid Waste, Bonds and CIP Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Committed:				
Payroll Stabilization	805,005	0	0	805,005
City Recreation	0	0	159,429	159,429
50th Anniversary	0	0	343	343
Hazardous Waste	0	0	405,473	405,473
Fire Pumper	0	0	28,314	28,314
Parkland Acquisition	0	0	144	144
Water Construction	0	0	0	0
Storm Sewer Construction	0	0	1,306,409	1,306,409
Total Committed	<u>805,005</u>	<u>0</u>	<u>1,926,751</u>	<u>2,731,756</u>
Assigned:				
Fiscal Year 2020 Appropriations	7,527,808	0	0	7,527,808
Purchase Orders	375,689	0	0	375,689
Total Assigned	<u>7,903,497</u>	<u>0</u>	<u>0</u>	<u>7,903,497</u>
Unassigned (deficit)	<u>15,439,076</u>	<u>0</u>	<u>(521,670)</u>	<u>14,917,406</u>
Total Fund Balances	<u>\$24,688,233</u>	<u>\$6,788,655</u>	<u>\$10,373,826</u>	<u>\$41,850,714</u>

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash, cash equivalents and investments. In addition, investments are separately held by a number of individual funds. Statutes require the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- 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 or interest by the United States;
- 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, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- 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;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

A. Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City's deposits may not be returned. The City's policy is to place deposits with major local banks.

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

At year end the carrying amount of the City's deposits was \$14,620,608 and the bank balance was \$15,221,142. Federal depository insurance covered \$250,000 of the bank balance and \$14,971,142 was exposed to custodial risk and was collateralized with securities held by the pledging financial institutions trust department or agent but not in the City's name and securities held in the Ohio Pooled Collateral System.

Investment earnings of \$794,994 earned by other funds were credited to the General Fund as required by local statute.

B. Investments

The City's investments at December 31, 2020 are summarized below:

	Fair Value	Credit Rating	Fair Value Hierarchy	Investment Maturities (in Years)		
				less than 1	1-3	3-5
FHLB	\$3,197,219	AA+ ¹ / Aaa ²	Level 2	\$0	\$2,596,565	\$600,654
FHLMC	1,857,608	AA+ ¹ / Aaa ²	Level 2	0	850,346	1,007,262
FNMA	965,905	AA+ ¹ / Aaa ²	Level 2	0	965,905	0
FFCB	2,548,605	AA+ ¹ / Aaa ²	Level 2	0	548,405	2,000,200
Negotiable CD's	25,702,002	AA+ ¹	Level 1	11,261,423	10,638,232	3,802,347
STAR Ohio	8,510,041	AAAm ¹	N/A	8,510,041	0	0
Total Investments	<u>\$42,781,380</u>			<u>\$19,771,464</u>	<u>\$15,599,453</u>	<u>\$7,410,463</u>

¹ Standard & Poor's

² Moody's Investor Service

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 5 - CASH, CASH EQUIVALENTS AND INVESTMENTS (Continued)

B. Investments (Continued)

Interest Rate Risk – The Ohio Revised Code generally limits security purchases to those that mature within five years of settlement date.

Credit Risk – The City’s investments in FHLB, FHLMC, FNMA and FFCB securities were rated AA+ and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Investments in Star Ohio were rated AAAM by Standard & Poor’s.

Custodial Credit Risk – The City’s investments in FHLB, FHLMC, FNMA and FFCB securities in the amounts of \$3,197,219, \$1,857,608, \$965,905 and \$2,548,605, respectively, are uninsured and unregistered with securities held by the counterparty's trust department or agent in the City's name.

Concentration of Credit Risk – The City places no limit on the amount the City may invest in one issuer. Of the City’s total investments, 7% are FHLB, 4% are FHLMC, 2% are FNMA, 6% are FFCB, 60% are negotiable CD’s and 21% is Star Ohio.

C. Reconciliation of Cash, Cash Equivalents and Investments

A reconciliation between classifications of cash and investments on the financial statements and classifications per items A and B of this note are as follows:

	Cash and Cash Equivalents	Investments	Total
Per Financial Statements	\$21,930,649	\$35,471,339	\$57,401,988
Certificates of Deposit (with maturities of more than 3 months)	1,200,000	(1,200,000)	0
Investments:			
STAR Ohio	(8,510,041)	8,510,041	0
Per Footnote	<u>\$14,620,608</u>	<u>\$42,781,380</u>	<u>\$57,401,988</u>

NOTE 6 - TAXES

A. Property Taxes

Property taxes include amounts levied against all real estate and public utility property, and tangible personal property used in business and located in the City. Real property taxes (other than public utility) collected during 2020 were levied after October 1, 2019 on assessed values as of January 1, 2019, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be revalued every six years. The last revaluation was completed in 2012 and the equalization adjustment was completed in 2015. Real property taxes are payable annually or semi-annually. The first payment is due January 31; the remainder is payable by July 31.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 6 - TAXES (Continued)

A. Property Taxes (Continued)

Public utility real 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. Certain public utility tangible personal property is currently assessed at 100% of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The Lucas County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Oregon. The County Auditor periodically remits to the City its portion of the taxes collected.

The full property tax rate for all City operations for the year ended December 31, 2020 was \$2.50 per \$1,000 of assessed value. The assessed value upon which the 2020 tax receipts were based was \$499,737,490. This amount constitutes \$448,290,290 in real property assessed value and \$51,447,200 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 0.250% (2.50 mills) of assessed value.

B. Income Tax

The City levies a tax of 2.25% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of the total amount assessed. 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.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 7 – TAX ABATEMENT DISCLOSURES

Real Estate Tax Abatements

As of December 31, 2020, the City of Oregon provides tax incentives under three programs: Tax Increment Financing (TIF), Enterprise Zone (EZ), and Community Reinvestment Area (CRA).

Pursuant to Ohio Revised Code Chapter 5709, the City established a Community Reinvestment area titled the Cedar Point Development Park Reinvestment Area. In general, this Community Reinvestment Area includes properties rezoned as C-I Commercial/Industrial bounded by Cedar Point Road, Lallendorf Road, Wynn Road and Corduroy Road, and A-1 Agricultural properties segregated in the Lallendorf Road and Corduroy Road corner, and on Seaman Road along the Southern border of the district, within the City of Oregon. The City of Oregon authorizes incentives through the passage of public ordinances, based upon each businesses investment criteria, and through a contractual application process with each business, including proof that the improvements have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand businesses located in the City, and retain or create new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from commercial and industrial improvements consistent with the applicable zoning regulations.

The City of Oregon also contracts with the Oregon City School District for payments in lieu of taxes when required by Section 5709.82 of the Ohio Revised Code.

Below is the information relevant to the disclosure of those programs for the year ended December 31, 2020.

Property Tax Abatement	Total Amount of Taxes Abated (Incentives Abated For the Year 2020 In Actual Dollars)
<i>Oregon Holdings One LLC (2015 - 2025) (CRA)</i> - Gross Dollar amount of taxes abated during 2020	\$43,199
<i>Enviroservices of Ohio Inc. (2013 - 2023) (CRA)</i> - Gross Dollar amount of taxes abated during 2020	134,382
<i>BP-Husky Refining LLC A DE LLC (2008 - 2021) (Enterprise Zone)</i> - Gross Dollar amount of taxes abated during 2020	128,890
<i>BP-Husky Refining LLC A DE LLC (2011 - 2041) (TIF)</i> - Gross Dollar amount of taxes abated during 2020	52,112
<i>BP-Husky Refining LLC (2011 - 2041) (TIF)</i> - Gross Dollar amount of taxes abated during 2020	54,274
<i>Menard Inc. (2008 - 2038) (TIF)</i> - Gross Dollar amount of taxes abated during 2020	257,826
<i>Oregon Holdings Five LLC (2009 - 2039) (TIF)</i> - Gross Dollar amount of taxes abated during 2020	87,887
	\$758,570

CITY OF OREGON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 8 - RECEIVABLES

Receivables at December 31, 2020 consisted of taxes, interest, accounts receivable, special assessments and intergovernmental receivables.

NOTE 9 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2020:

	Transfers In:			
Transfers Out:	Other Governmental Funds	Water Fund	Sewer Fund	Total
General Fund	\$1,769,810	\$1,200,000	\$1,200,000	\$4,169,810
Solid Waste, Bonds and CIP	1,035,256	0	0	1,035,256
Other Governmental Funds	493,932	0	0	493,932
Water Fund	0	0	38,084	38,084
Sewer Fund	201,000	0	0	201,000
	\$3,499,998	\$1,200,000	\$1,238,084	\$5,938,082

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorization.

Transfers of \$3,739,082 were eliminated on the entity-wide statement of activities since they were within the governmental and business-type activities.

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 10 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets for the year ended December 31, 2020 was as follows:

Historical Cost:

Class	December 31, 2019	Additions	Deletions	December 31, 2020
<i>Capital assets not being depreciated:</i>				
Land	\$4,902,969	\$0	(\$20,939)	\$4,882,030
Construction in Progress	18,067,758	3,241,696	(10,679,967)	10,629,487
Subtotal	<u>22,970,727</u>	<u>3,241,696</u>	<u>(10,700,906)</u>	<u>15,511,517</u>
<i>Capital assets being depreciated:</i>				
Land Improvements	9,940,654	437,823	(101,877)	10,276,600
Buildings and Improvements	13,881,713	9,300	0	13,891,013
Machinery and Equipment	5,855,103	326,757	(61,911)	6,119,949
Vehicles	10,287,154	419,578	(258,098)	10,448,634
Infrastructure	78,223,254	11,499,532	0	89,722,786
Subtotal	<u>118,187,878</u>	<u>12,692,990</u>	<u>(421,886)</u>	<u>130,458,982</u>
Total Cost	<u>\$141,158,605</u>	<u>\$15,934,686</u>	<u>(\$11,122,792)</u>	<u>\$145,970,499</u>

Accumulated Depreciation:

Class	December 31, 2019	Additions	Deletions	December 31, 2020
Land Improvements	(\$3,136,036)	(\$270,412)	\$100,612	(\$3,305,836)
Buildings and Improvements	(6,210,509)	(462,629)	0	(6,673,138)
Machinery and Equipment	(4,174,184)	(364,391)	61,911	(4,476,664)
Vehicles	(7,561,557)	(733,135)	258,098	(8,036,594)
Infrastructure	(32,115,088)	(1,832,474)	0	(33,947,562)
Total Depreciation	<u>(\$53,197,374)</u>	<u>(\$3,663,041) *</u>	<u>\$420,621</u>	<u>(\$56,439,794)</u>
Capital assets being depreciated, net:	<u>64,990,504</u>	<u>9,029,949</u>	<u>(1,265)</u>	<u>74,019,188</u>
<i>Net Value:</i>	<u>\$87,961,231</u>			<u>\$89,530,705</u>

* Depreciation expenses were charged to governmental functions as follows:

Security of Persons and Property	\$554,643
Public Health and Welfare Services	46,283
Leisure Time Activities	233,415
Community Environment	16,768
Transportation	2,469,480
General Government	342,452
Total Depreciation Expense	<u>\$3,663,041</u>

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 10 - CAPITAL ASSETS (continued)

B. Business-Type Activities Capital Assets

Summary by category of changes in business-type activities for the year ended December 31, 2020 was as follows:

Historical Cost:

Class	December 31, 2019	Additions	Deletions	December 31, 2020
<i>Capital assets not being depreciated:</i>				
Land	\$756,016	\$0	\$0	\$756,016
Construction in Progress	4,340,141	4,293,016	(2,193,153)	6,440,004
Subtotal	<u>5,096,157</u>	<u>4,293,016</u>	<u>(2,193,153)</u>	<u>7,196,020</u>
<i>Capital assets being depreciated:</i>				
Buildings and Distributions	140,198,044	2,451,321	0	142,649,365
Machinery and Equipment	16,156,519	12,719	(28,340)	16,140,898
Vehicles	1,285,132	67,281	(24,232)	1,328,181
Subtotal	<u>157,639,695</u>	<u>2,531,321</u>	<u>(52,572)</u>	<u>160,118,444</u>
Total Cost	<u>\$162,735,852</u>	<u>\$6,824,337</u>	<u>(\$2,245,725)</u>	<u>\$167,314,464</u>

Accumulated Depreciation:

Class	December 31, 2019	Additions	Deletions	December 31, 2020
Buildings and Distributions	(\$71,059,363)	(\$1,551,849)	\$0	(\$72,611,212)
Machinery and Equipment	(7,022,567)	(1,198,235)	52,572	(8,168,230)
Vehicles	(931,117)	(207,111)	0	(1,138,228)
Total Depreciation	<u>(\$79,013,047)</u>	<u>(\$2,957,195)</u>	<u>\$52,572</u>	<u>(\$81,917,670)</u>
Capital assets being depreciated, net:	<u>78,626,648</u>	<u>(425,874)</u>	<u>0</u>	<u>78,200,774</u>
<i>Net Value:</i>	<u>\$83,722,805</u>			<u>\$85,396,794</u>

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 11 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

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

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability 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 are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

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

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

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

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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

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

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member’s FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3.00% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS’s Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

	State and Local
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 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$1,236,848 for 2020. Of this amount, \$128,435 is reported as accrued wages and benefits.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF 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 OPF may retire and receive a lifetime monthly pension. OPF 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, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

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

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

	Police	Firefighters
2020 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2020 through December 31, 2020	12.25 %	12.25 %
2020 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee:		
January 1, 2020 through December 31, 2020	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$979,068 for 2020. Of this amount, \$110,870 is reported as accrued wages and benefits.

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

The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’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 was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS	OP&F	Total
Proportionate Share of the Net Pension Liability	\$12,910,540	\$14,645,084	\$27,555,624
Proportion of the Net Pension Liability-2020	0.065318%	0.217398%	
Proportion of the Net Pension Liability-2019	0.067617%	0.216446%	
Percentage Change	(0.002299%)	0.000952%	
Pension Expense	\$1,929,979	\$1,803,939	\$3,733,918

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 – 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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$689,575	\$359,501	\$1,049,076
Differences between expected and actual experience	0	554,363	554,363
Change in proportionate share	45,096	569,544	614,640
City contributions subsequent to the measurement date	<u>1,236,848</u>	<u>979,068</u>	<u>2,215,916</u>
Total Deferred Outflows of Resources	<u>\$1,971,519</u>	<u>\$2,462,476</u>	<u>\$4,433,995</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$2,575,363	\$707,472	\$3,282,835
Differences between expected and actual experience	163,236	755,309	918,545
Change in proportionate share	<u>302,892</u>	<u>551,058</u>	<u>853,950</u>
Total Deferred Inflows of Resources	<u>\$3,041,491</u>	<u>\$2,013,839</u>	<u>\$5,055,330</u>

\$2,215,916 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2021	(\$450,968)	(\$97,411)	(\$548,379)
2022	(939,908)	(6,831)	(946,739)
2023	106,645	272,366	379,011
2024	(1,022,589)	(638,256)	(1,660,845)
2025	<u>0</u>	<u>(60,299)</u>	<u>(60,299)</u>
Total	<u>(\$2,306,820)</u>	<u>(\$530,431)</u>	<u>(\$2,837,251)</u>

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.

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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 in the December 31, 2019 and December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2019
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	1.4 percent simple through 2020. 2.15 percent simple, thereafter
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age
	December 31, 2018
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2018. 2.15 percent simple, thereafter
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

During 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 17.2% for 2019.

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	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 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	\$21,293,668	\$12,910,540	\$5,374,365

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF’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 OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2019, compared with January 1, 2018, are presented below.

	January 1, 2019	January 1, 2018
Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

For the January 1, 2019 valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

For the January 1, 2019 valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

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

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted 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 OPF’s target asset allocation as of December 31, 2019 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	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
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	120.00 %	

* levered 2x

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

CITY OF OREGON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 11 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate For 2019, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2018 was 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$20,297,577	\$14,645,084	\$9,917,334

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

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

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

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 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' CAFR referenced below for additional information.

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

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 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. 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 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2020.

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.

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

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

CITY OF OREGON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contractually required contribution to OP&F was \$24,189 for 2020.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net OPEB Liability	\$8,932,054	\$2,147,397	\$11,079,451
Proportion of the Net OPEB Liability-2020	0.064666%	0.217398%	
Proportion of the Net OPEB Liability-2019	0.066812%	0.216446%	
Percentage Change	<u>(0.002146%)</u>	<u>0.0009519%</u>	
OPEB Expense	\$935,584	\$189,658	\$1,125,242

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 12 - 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			
Changes in assumptions	\$1,413,848	\$1,255,452	\$2,669,300
Differences between expected and actual experience	241	0	241
Change in proportionate share	32,910	234,856	267,766
City contributions subsequent to the measurement date	0	24,189	24,189
Total Deferred Outflows of Resources	<u>\$1,446,999</u>	<u>\$1,514,497</u>	<u>\$2,961,496</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	\$454,819	\$98,814	\$553,633
Changes in assumptions	0	457,643	457,643
Differences between expected and actual experience	816,878	230,933	1,047,811
Change in proportionate share	162,412	360,828	523,240
Total Deferred Inflows of Resources	<u>\$1,434,109</u>	<u>\$1,148,218</u>	<u>\$2,582,327</u>

\$24,189 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 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2021	\$164,844	\$56,567	\$221,411
2022	42,035	56,569	98,604
2023	363	76,839	77,202
2024	(194,352)	44,885	(149,467)
2025	0	60,286	60,286
2026	0	28,477	28,477
2027	0	18,467	18,467
Total	<u>\$12,890</u>	<u>\$342,090</u>	<u>\$354,980</u>

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 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 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return:	
Current measurement date	6.00 percent
Prior Measurement date	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.75 percent
Prior Measurement date	3.71 percent
Health Care Cost Trend Rate:	
Current measurement date	10.5 percent initial, 3.5 percent ultimate in 2030
Prior Measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

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.

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

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, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	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	<u>100.00 %</u>	<u>4.55 %</u>

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent.

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

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

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

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	\$11,689,026	\$8,932,054	\$6,724,617

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$8,668,477	\$8,932,054	\$9,192,272

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.

CITY OF OREGON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

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 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	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Single discount rate	3.56 percent	4.66 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 12 - 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 percent.

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

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the 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 prior experience study was completed December 31, 2011.

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:

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	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
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	<u>120.00 %</u>	

* levered 2x

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

Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent 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.

CITY OF OREGON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 12 - DEFINED BENEFIT OPEB PLANS (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The 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 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

	1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
City's proportionate share of the net OPEB liability	\$2,662,635	\$2,147,397	\$1,719,272

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.

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 13 - COMPENSATED ABSENCES

In accordance with GASB Statement No. 16, "Accounting for Compensated Absences," vacation and compensatory time are accrued as liabilities when an employee's right to receive compensation is attributable to services already rendered and it is probable that the employee will be compensated through paid time off or some other means, such as cash payments at termination or retirement. Leave time that has been earned but is unavailable for use as paid time off or as some other form of compensation because an employee has not met the minimum service time requirement, is accrued to the extent that it is considered to be probable that the conditions for compensation will be met in the future.

Sick leave is accrued using the vesting method, whereby the liability is recorded on the basis of leave accumulated by employees who are eligible to receive termination payments as of the balance sheet date, and on leave balances accumulated by other employees who are expected to become eligible in the future to receive such payments.

At December 31, 2020, the City's accumulated, unpaid compensated absences amounted to \$3,659,363 of which \$2,782,254 is recorded as a liability of the Governmental Activities and \$877,109 is recorded as a liability of the Business-Type Activities.

NOTE 14 - LONG-TERM LIABILITIES

Long-term liabilities of the City at December 31, 2020 was as follows:

Date Purchased			Maturity Date	Balance December 31, 2019	Issued	(Retired)	Balance December 31, 2020	Amount Due Within One Year
Governmental Activities Long-Term Liabilities:								
General Obligation Bonds:								
2012	2.00%	Wheeling Street Improvement	2030	\$2,540,000	\$0	(\$2,540,000)	\$0	\$0
		Premium		62,301	0	(62,301)	0	0
2012	2.00%	Big Ditch/Stadium	2032	2,100,000	0	(2,100,000)	0	0
		Premium		38,835	0	(38,835)	0	0
2020	2.00%	Wheeling Street Improvement	2030	\$0	\$2,215,000	\$0	\$2,215,000	\$175,000
		Premium		0	186,421	(18,642)	167,779	0
2020	2.00%	Big Ditch/Stadium	2032	0	1,885,000	0	1,885,000	125,000
		Premium		0	130,084	(10,840)	119,244	0
2020	2.00%	Fire Station	2046	0	5,300,000	0	5,300,000	0
		Premium		0	152,040	(5,848)	146,192	0
Total General Obligation Bonds				4,741,136	9,868,545	(4,776,466)	9,833,215	300,000

(Continued)

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 14 - LONG-TERM LIABILITIES (Continued)

Date Purchased		Maturity Date	Balance December 31, 2019	Issued	(Retired)	Balance December 31, 2020	Amount Due Within One Year		
Governmental Activities Long-Term Liabilities:									
Ohio Public Works Commission Loan:									
2011	0.00%	Big Ditch Improvement	2031	\$275,310	\$0	(\$11,970)	\$263,340	\$23,940	
2013	0.00%	Oregon Flood Relief	2034	507,542	0	(17,501)	490,041	35,002	
2015	0.00%	Resurfacing Project	2025	48,147	0	(8,024)	40,123	8,024	
Total Ohio Public Works Commission Loans				<u>830,999</u>	<u>0</u>	<u>(37,495)</u>	<u>793,504</u>	<u>66,966</u>	
Long-Term Loan Payable:									
2015	0.39%	Toledo Lucas County Port Authority	2028	1,234,539	0	(121,853)	1,112,686	115,922	
				Compensated Absences	2,874,521	2,782,254	(2,874,521)	2,782,254	954,958
				Capital Lease	5,951,765	0	(235,050)	5,716,715	282,060
				Workers Compensation Liability	57,222	38,741	(57,222)	38,741	0
				Police and Firemen's Pension Accrued Liability	37,262	0	(1,753)	35,509	1,829
				Net Pension Liability	30,412,269	0	(7,078,765)	23,333,504	0
				Net OEPB Liability	7,965,702	192,708	0	8,158,410	0
Total Governmental Activities Long-Term Liabilities				<u>\$54,105,415</u>	<u>\$12,882,248</u>	<u>(\$15,183,125)</u>	<u>\$51,804,538</u>	<u>\$1,721,735</u>	

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CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 14 - LONG-TERM LIABILITIES (Continued)

Date Purchased			Maturity Date	Balance December 31, 2019	Issued	(Retired)	Balance December 31, 2020	Amount Due Within One Year
Business-Type Long-Term Liabilities:								
Ohio Public Works Commission Loans:								
2002	0.00%	Zebra Mussel Control - Raw Water Intake	2022	\$30,928	\$0	(\$7,734)	\$23,194	\$15,470
2003	0.00%	Water Plant Renovations - Phase I	2023	59,607	0	(9,934)	49,673	19,867
2004	0.00%	Water Treatment Plant Improvements - Phase II	2023	70,379	0	(10,054)	60,325	20,108
2004	0.00%	Water Treatment Plant Improvements - Phase III	2024	100,000	0	(12,500)	87,500	25,000
2005	0.00%	Water Treatment Plant Improvements - Phase IV	2025	153,500	0	(15,350)	138,150	30,700
2006	0.00%	Water Treatment Plant Improvements - Phase V	2026	25,198	0	(2,100)	23,098	4,201
2007	0.00%	South Shore Park Waterline - Phase II	2027	23,993	0	(1,600)	22,393	3,200
2009	0.00%	Elevated Storage Tank	2031	258,750	0	(11,250)	247,500	22,500
2011	0.00%	Sanitary Sewer Rehabilitation	2031	110,000	0	(5,000)	105,000	10,000
2012	0.00%	Sanitary Sewer Rehabilitation	2033	303,750	0	(11,250)	292,500	22,500
2007	0.00%	Eastwyck Sanitary Pump Station	2026	62,848	0	(4,835)	58,013	9,670
2014	0.00%	Wastewater Treatment Plant Phase I	2035	377,408	0	(12,175)	365,233	24,350
2016	0.00%	Wastewater Treatment Plant Phase III	2036	27,755	0	(841)	26,914	1,682
2016	0.00%	Wastewater Secondary Treatment Plant	2036	700,000	0	(20,000)	680,000	40,000
2020	0.00%	Navarre Avenue Waterline Replacement	2036	0	198,217	0	198,217	0
Total Ohio Public Works Commission Loans				2,304,116	198,217	(124,623)	2,377,710	249,248
Ohio Water Development Authority Loans:								
2002	3.80%	Seaman Road Trunk Sewer - Phase I	2022	210,699	0	(103,367)	107,332	105,331
2004	3.95%	Seaman Road Trunk Sewer - Phase II	2023	543,559	0	(147,787)	395,772	150,705
2005	3.50%	Stadium Road Sewer	2024	892,955	0	(186,564)	706,391	189,829
2006	3.35%	Pickle Road Sewer	2025	849,718	0	(143,175)	706,543	145,573
2002	4.28%	Waterplant Renovation - Phase I & II	2022	1,412,505	0	(691,300)	721,205	706,094
2004	3.65%	Waterplant Renovation - Phase III	2024	529,972	0	(125,394)	404,578	127,682
2011	3.52%	Elevated Storage Tank	2030	2,610,972	0	(209,520)	2,401,452	213,208
2013	2.64%	Phase II Sanitary Sewer Rehab	2033	1,072,773	0	(70,167)	1,002,606	71,093
2007	3.25%	Coy Road Sewer	2027	222,138	0	(28,749)	193,389	29,216
2015	3.37%	WWTP Secondary Improvements Phase I	2035	5,033,432	0	(262,820)	4,770,612	267,249
2016	1.99%	WWTP Secondary Improvements Phase III	2036	1,339,112	0	(71,844)	1,267,268	72,559
2016	1.58%	WWTP Secondary Improvements Phase II	2037	970,895	0	(50,206)	920,689	50,603
2016	0.19%	WWTP Secondary Improvements Phase II	2038	6,187,364	0	(338,222)	5,849,142	338,543
2017	2.28%	WWTP Sludge Dewatering	2038	2,662,119	0	(122,643)	2,539,476	124,621
2017	2.13%	Sanitary Sewer Rehabilitation 4B	2038	1,228,103	0	(74,011)	1,154,092	75,371
2017	1.88%	Southwest Water Distribution Improvement	2038	1,619,481	42,214	(79,459)	1,582,236	80,896
2017	0.00%	Water Treatment Plant Infrastructure	2038	12,425,506	0	(768,136)	11,657,370	768,136
2018	2.15%	Southwest Water Distribution Improvement	2039	2,304,624	0	(110,807)	2,193,817	0
2019	1.03%	Navarre Avenue Waterline Replacement	2041	33,368	1,642,302	0	1,675,670	0
2020	1.17%	Star Avenue and Norden	2041	0	851,811	0	851,811	19,312
Total Ohio Water Development Authority Loans				42,149,295	2,536,327	(3,584,171)	41,101,451	3,536,021
Compensated Absences				921,028	877,109	(921,028)	877,109	361,144
Net Pension Liability				5,774,368	0	(1,552,248)	4,222,120	0
Net OPEB Liability				2,716,078	204,963	0	2,921,041	0
Total Business-Type Activities Long-Term Liabilities				\$53,864,885	\$3,816,616	(\$6,182,070)	\$51,499,431	\$4,146,413

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 14 - LONG-TERM LIABILITIES (Continued)

A. Police and Firemen's Pension Fund

The City's liability for past service costs relating to the Police and Firemen's Pension Fund at December 31, 2020 was \$35,509 in principal and \$12,417 in interest payments through the year 2035. Only the principal amount is included in the Governmental Activities Long-Term Debt. This is paid out of the General Fund.

B. Principal and Interest Requirements

A summary of the City's future long-term debt funding requirements, including principal and interest payments as of December 31, 2020, follows:

Years	<u>Governmental Activities</u>	
	<u>General Obligation Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$300,000	\$200,315
2022	465,000	202,210
2023	485,000	178,960
2024	540,000	154,710
2025	560,000	127,710
2026-2030	3,070,000	391,450
2031-2035	1,400,000	252,660
2036-2040	1,115,000	178,542
2041-2045	1,210,000	86,216
2046	255,000	4,463
Totals	<u>\$9,400,000</u>	<u>\$1,777,236</u>

C. Refunded General Obligation Debt

On December 29, 2020, the City refunded a portion of \$2,345,000 of outstanding bonds (the "2012 Bonds") with an interest rate of 2.00% with \$2,215,000 of refunding bonds issued in December 2020. The entire principal amount of the 2012 bonds was paid off during 2020. The refunding was undertaken for the purpose of reducing interest rates and debt service on the prior bonds. The advanced refunding reduced total debt service payments by approximately \$178,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$173,358.

On December 29, 2020, the City refunded a portion of \$1,965,000 of outstanding bonds (the "2012 Bonds") with an interest rate of 2.00% with \$1,885,000 of refunding bonds issued in December 2020. The entire principal amount of the 2012 bonds was paid off during 2020. The refunding was undertaken for the purpose of reducing interest rates and debt service on the prior bonds. The advanced refunding reduced total debt service payments by approximately \$183,000. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$177,136.

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 14 - LONG-TERM LIABILITIES (Continued)

B. Principal and Interest Requirements (Continued)

Years	Governmental Activities					
	OPWC Loans		Police/Firemen's Pension Accrued Liability		Long-Term Loan	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$66,966	\$0	\$1,829	\$1,494	\$115,922	\$43,349
2022	66,966	0	1,907	1,416	120,550	38,782
2023	66,966	0	1,989	1,334	124,181	34,056
2024	66,966	0	2,074	1,248	129,823	29,167
2025	66,966	0	2,163	1,159	133,467	24,060
2026-2030	294,713	0	12,281	4,318	488,743	39,948
2031-2035	163,961	0	13,266	1,448	0	0
Totals	<u>\$793,504</u>	<u>\$0</u>	<u>\$35,509</u>	<u>\$12,417</u>	<u>\$1,112,686</u>	<u>\$209,362</u>

Years	Business-Type Activities			
	OWDA Loans		OPWC Loans	
	Principal	Interest	Principal	Interest
2021	\$2,467,685	\$482,211	\$249,248	\$0
2022	2,383,094	360,965	214,083	0
2023	1,623,884	315,060	214,083	0
2024	1,413,355	277,727	214,083	0
2025	1,252,865	219,816	214,083	0
2026-2030	5,084,114	496,334	536,963	0
2031-2035	4,224,486	492,459	405,810	0
2036-2038	997,496	24,910	131,140	0
Totals	<u>\$19,446,979</u>	<u>\$2,669,482</u>	<u>\$2,179,493</u>	<u>\$0</u>

OWDA loans of \$2,539,476, \$1,154,092, \$2,193,817, \$1,582,236, \$11,657,370, \$1,675,670 and \$851,811, less amounts due within one year are not included in the above maturity tables. The construction has started, but the loan is not payable until the construction is completed. At that time, loan payments will be determined.

An OPWC loan in the amount of \$198,217 less amounts due within one year is not included in the above maturity tables. The construction has started, but the loan is not payable until the construction is completed. At that time, loan payments will be determined.

CITY OF OREGON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 15 - CONSTRUCTION COMMITMENTS

As of December 31, 2020, the City had the following commitments with respect to capital projects:

<u>Capital Projects</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Navarre Ave Utility Relocation (betterments)	\$612,008	2021
Yarrow Street Bridge over Otter Creek (PID 107148)	550,198	2021
Seaman Rd Bridge over Otter Creek (PID 107148)	855,448	2021
Navarre/Coy Intersection - PID 109596	846,000	2021
Oregon Bike Train - 7539	31,666	2021
Navarre Ave Wtrline Replacement-Ph2	2,959,519	2021
Starr Ave Extension and Norden Road Waterline Improvements	1,368,147	2021
Downtown Oregon Project	33,625	2021
Pickle Storm Sewer Improvements	867,226	2021
Sanitary Sewer Rehab Ph 5 S Shore Park	848	2021
N Norden Road Sanitary Sewer	332,843	2021
Seaman-Brown Bikeway	17,708	2021
Starr Avenue Improvements (PID 109196)	956,982	2021
Total	<u>\$9,432,218</u>	

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 16 - CAPITAL LEASE

In 2019, the City entered into a lease purchase with AMJB LLC for the lease of property as part of the future development of a downtown center. The ten year lease is classified as a capital lease and has been included in the capital assets in the Government-Wide Statement of Net Position with a value of \$5,951,765. The related liability is reported in the Government-Wide Statement of Net Position.

The following is a schedule of future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2020:

<u>Year Ending December 31,</u>	<u>Capital Lease</u>
2021	\$282,060
2022	282,060
2023	282,060
2024	282,060
2025	307,693
2026	307,693
2027	307,693
2028	307,693
2029	<u>4,104,703</u>
Minimum Lease Payments	6,463,715
Less amount representing interest at the City's incremental borrowing rate of interest	<u>(747,000)</u>
Present value of minimum lease payments	<u><u>\$5,716,715</u></u>

NOTE 17 - INSURANCE AND 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. In August 2004, the City joined the Ohio Government Risk Management Plan (the "OGRMP"), a public entity risk plan formed under Section 2744.081 of the Ohio Revised Code that operates as a common risk management and insurance program for 585 member political subdivisions. The City pays an annual premium to the OGRMP for its general insurance coverage. The agreement for formation of the OGRMP provides that the organization will be self-sustaining through member premiums and will reinsure all claims in excess of a member's deductible through commercial insurance and reinsurance companies.

The City continues to carry commercial insurance for other risks of loss, including employee health and life insurance. There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverages in any of the past three fiscal years.

CITY OF OREGON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 17 - INSURANCE AND RISK MANAGEMENT (Continued)

A. Self Insurance Fund

The City established an internal service fund, the Self Insurance Fund, to receive payments from each fund based upon employee participation, to cover the cost of participant and dependent coverage under the plan. GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," as amended by GASB Statement No. 30 "Risk Management Omnibus," requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Claims incurred but not reported at year end were determined to be immaterial, therefore no liability has been recorded. Changes in the fund's claims liability amount for the past three years are as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2018	\$100	\$29,329	(\$29,429)	\$0
2019	0	27,462	(27,052)	410
2020	410	24,380	(24,590)	200

B. Workers' Compensation Internal Service Fund

The City is a participating member with the Ohio Municipal League Retrospective Rating Program. Retrospective (Retro) Rating is best described as a quasi self-insured program, which shifts a selected level of risk to the employer in return for a reduction in premium. Under the Retro plan employers are responsible for actual claims cost on all claims occurring within the program period. Retro claims have a ten-year life commencing with the date of injury. Claims cost for Retro claims incurred beyond ten years from the date of injury will be assumed by the Bureau. The City has a claims limit of \$200,000 per claim with a billable ceiling of 200% of the premium for 2020. Changes in the Workers' Compensation Internal Service Fund's claims liability for the past three years were as follows:

Fiscal Year	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	Balance at Fiscal Year End
2018	\$15,626	(\$6,521)	(\$2,022)	\$7,083
2019	7,083	57,215	(7,076)	57,222
2020	57,222	240,871	(259,352)	38,741

CITY OF OREGON, OHIO

Notes to the Basic Financial Statements For the Year Ended December 31, 2020

NOTE 18 - CONTINGENCIES

The City is a party to various legal proceedings which seek damages or injunctive relief generally incidental to its operations and pending projects. The City's management is of the opinion that the ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

The City has received several federal and state grants for specific purposes which are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. Based upon prior experience, City management believes such disallowances, if any, will be immaterial.

NOTE 19 - CONDUIT DEBT OBLIGATION

The City issued mortgage revenue bonds to provide financial assistance to The Alcore Oregon LLC in order to promote and advance the development of residential rental housing in the City of Oregon. The City has no obligation for the debt beyond the resources provided by the mortgage revenue bonds. Neither the City, the State, 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. At December 31, 2020, the mortgage revenue bonds had an outstanding balance payable of \$5,935,000.

NOTE 20 – CORONAVIRUS (COVID-19)

In March 2020, the World Health Organization declared the novel coronavirus outbreak (COVID-19) to be a global pandemic. The extent of the ultimate impact of the pandemic on the City's operational and financial performance will depend on various developments, including the duration and spread of the outbreak and its impact on employees, vendors, and taxpayers, all of which cannot be reasonably predicted at this time. In addition, it may place additional demands on the City for providing emergency services to its citizens. While management reasonably expects the COVID-19 outbreak to impact the City's financial position, changes in financial position, and, where applicable, the timing and amounts of cash flows, the related financial consequences and duration are highly uncertain.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF OREGON, OHIO

***Schedule of City's Proportionate Share of the Net Pension Liability
Last Seven Years***

Ohio Public Employees Retirement System

Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability	0.067134%	0.067134%	0.064599%
City's proportionate share of the net pension liability	\$7,914,224	\$8,097,111	\$11,189,300
City's covered payroll	\$8,723,669	\$8,348,383	\$9,550,175
City's proportionate share of the net pension liability as a percentage of its covered payroll	90.72%	96.99%	117.16%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2014</u>	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability	0.2153935%	0.2153935%	0.215371%
City's proportionate share of the net pension liability	\$10,490,339	\$11,158,281	\$13,854,991
City's covered payroll	\$5,081,440	\$4,431,090	\$4,156,127
City's proportionate share of the net pension liability as a percentage of its covered payroll	206.44%	251.82%	333.36%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.

See accompanying notes to required supplementary information

CITY OF OREGON, OHIO

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
0.066944%	0.066782%	0.067617%	0.065318%
\$15,201,775	\$10,476,756	\$18,518,923	\$12,910,540
\$8,704,300	\$8,898,500	\$9,309,743	\$9,207,921
174.65%	117.74%	198.92%	140.21%
77.25%	84.66%	74.70%	82.17%

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
0.220761%	0.217110%	0.216446%	0.217398%
\$13,982,761	\$13,324,995	\$17,667,714	\$14,645,084
\$5,013,216	\$5,009,945	\$4,867,252	\$4,818,109
278.92%	265.97%	362.99%	303.96%
68.36%	70.91%	63.07%	69.89%

CITY OF OREGON, OHIO

***Schedule of City Pension Contributions
Last Eight Years***

Ohio Public Employees Retirement System

Year	2013	2014	2015	2016
Contractually required contribution	\$1,134,077	\$1,001,806	\$1,146,021	\$1,044,516
Contributions in relation to the contractually required contribution	<u>1,134,077</u>	<u>1,001,806</u>	<u>1,146,021</u>	<u>1,044,516</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$8,723,669	\$8,348,383	\$9,550,175	\$8,704,300
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2013	2014	2015	2016
Contractually required contribution	\$867,910	\$902,170	\$834,966	\$1,007,155
Contributions in relation to the contractually required contribution	<u>867,910</u>	<u>902,170</u>	<u>834,966</u>	<u>1,007,155</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$5,081,440	\$4,431,090	\$4,156,127	\$5,013,216
Contributions as a percentage of covered payroll	17.08%	20.36%	20.09%	20.09%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.

See accompanying notes to required supplementary information

CITY OF OREGON, OHIO

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$1,156,804	\$1,303,364	\$1,289,109	\$1,236,848
<u>1,156,804</u>	<u>1,303,364</u>	<u>1,289,109</u>	<u>1,236,848</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,898,500	\$9,309,743	\$9,207,921	\$8,834,629
13.00%	14.00%	14.00%	14.00%

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$1,006,498	\$977,831	\$967,958	\$979,068
<u>1,006,498</u>	<u>977,831</u>	<u>967,958</u>	<u>979,068</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,009,945	\$4,867,252	\$4,818,109	\$4,596,563
20.09%	20.09%	20.09%	21.30%

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CITY OF OREGON, OHIO

Schedule of City's Proportionate Share of the Net Other Postemployment Benefits (OPEB Liability Last Four Years

Ohio Public Employees Retirement System

Year	2017	2018	2019	2020
City's proportion of the net OPEB liability (asset)	0.065835%	0.065929%	0.066812%	0.064666%
City's proportionate share of the net OPEB liability (asset)	\$6,649,605	\$7,159,418	\$8,710,708	\$8,932,054
City's covered payroll	\$8,704,300	\$8,898,500	\$9,309,743	\$9,207,921
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	76.39%	80.46%	93.57%	97.00%
Plan fiduciary net position as a percentage of the total OPEB liability	54.50%	54.14%	46.33%	47.80%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2017	2018	2019	2020
City's proportion of the net OPEB liability (asset)	0.220761%	0.217110%	0.216446%	0.217398%
City's proportionate share of the net OPEB liability (asset)	\$10,479,013	\$12,301,123	\$1,971,072	\$2,147,397
City's covered payroll	\$5,013,216	\$5,009,945	\$4,867,252	\$4,818,109
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	209.03%	245.53%	40.50%	44.57%
Plan fiduciary net position as a percentage of the total OPEB liability	15.96%	14.13%	46.57%	47.08%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2017 is not available.

The schedule is reported as of the measurement date of the Net OPEB Liability.

See accompanying notes to required supplementary information

CITY OF OREGON, OHIO

***Schedule of City's Other Postemployment Benefit (OPEB) Contributions
Last Eight Years***

Ohio Public Employees Retirement System

Year	2013	2014	2015	2016
Contractually required contribution	\$87,237	\$166,968	\$191,004	\$174,086
Contributions in relation to the contractually required contribution	<u>87,237</u>	<u>166,968</u>	<u>191,004</u>	<u>174,086</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$8,723,669	\$8,348,383	\$9,550,175	\$8,704,300
Contributions as a percentage of covered payroll	1.00%	2.00%	2.00%	2.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2013	2014	2015	2016
Contractually required contribution	\$25,407	\$22,155	\$20,781	\$25,066
Contributions in relation to the contractually required contribution	<u>25,407</u>	<u>22,155</u>	<u>20,781</u>	<u>25,066</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$5,081,440	\$4,431,090	\$4,156,127	\$5,013,216
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.

Information prior to 2013 is not available.

See accompanying notes to required supplementary information

CITY OF OREGON, OHIO

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$88,985	\$0	\$0	\$0
<u>88,985</u>	<u>0</u>	<u>0</u>	<u>0</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$8,898,500	\$9,309,743	\$9,207,921	\$8,834,629
1.00%	0.00%	0.00%	0.00%

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$25,101	\$24,316	\$24,083	\$24,189
<u>25,101</u>	<u>24,316</u>	<u>24,083</u>	<u>24,189</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,009,945	\$4,867,252	\$4,818,109	\$4,596,563
0.50%	0.50%	0.50%	0.50%

CITY OF OREGON, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2020

NET PENSION LIABILITY – COST SHARING PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2020.

Changes in assumptions:

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%
- Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality Table.

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2019: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

2020: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 3.00% to 1.4% for post 1/7/13 retirees.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2020.

Changes in assumptions:

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

CITY OF OREGON, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2020

NET PENSION LIABILITY – COST SHARING PLANS (Continued)

OHIO POLICE AND FIRE (OP&F) PENSION FUND (Continued)

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%
- For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006
- For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006

2019-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

NET OPEB LIABILITY - COST SHARING PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the periods 2018-2020.

Changes in assumptions:

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

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%.
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.5% to 10%
- The Municipal Bond Rate changed from 3.31% to 3.71%

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.96% to 3.16%.
- Change in health care cost trend rate from 10.0% to 10.5%
- The Municipal Bond Rate changed from 3.71% to 2.75%

CITY OF OREGON, OHIO

Notes to the Required Supplementary Information For the Year Ended December 31, 2020

NET OPEB LIABILITY - COST SHARING PLANS (Continued)

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms:

2018: There were no changes in benefit terms.

2019: The retiree health care model and the current self-insured health care plan were replaced with a stipend-based health care model.

2020: There were no changes in benefit terms.

Changes in assumptions:

2018: The single discount rate changed from 3.79% to 3.24%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.24% to 4.66%.

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 4.66% to 3.56%.

TOTAL OPEB LIABILITY – SINGLE EMPLOYER PLAN

RETIREE LIFE INSURANCE PLAN

Changes in benefit terms: There were no changes in benefit terms for the periods 2018-2020.

Changes in assumptions:

2018: The single discount rate changed from 3.50% to 3.80%. The mortality table for non-disabled participants was changed to the RP-2014 Total Mortality Table and the mortality table for disabled participants was changed to the RP-2014 disabled Mortality Table. In addition, termination rates were updated.

2019: The single discount rate changed from 3.80% to 2.75%. The mortality table for non-disabled participants was changed to the Pri-2012 Total Mortality Table and the mortality table for disabled participants was changed to the Pri-2012 disabled retiree Mortality Table.

2020: The single discount rate changed from 2.75% to 2.00%. The mortality table for non-disabled participants was changed to the Pub-2010 General/Public Safety Mortality Table and the mortality table for disabled participants was changed to the Pub-2010 General Disabled Retiree Mortality Table.

City of Oregon, Ohio



Year Ended
December 31, 2020

Single Audit Act
Compliance

Rehmann

CITY OF OREGON, OHIO

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**Independent Auditors' Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

June 25, 2021

Honorable Mayor and
Members of the City Council
City of Oregon, Ohio

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Oregon, 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. We issued our report thereon dated June 25, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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CITY OF OREGON, OHIO

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2020

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Justice				
Bulletproof Vest Partnership Program:				
FY19 Grant Year	16.607	Direct	N/A	\$ 2,040
Edward Byrne Memorial Justice Assistance Grant Program				
FY17/18 Grant Year	16.738	Direct	2017-JG-C01-B3000	<u>29,850</u>
Total U.S. Department of Justice				<u>31,890</u>
U.S. Department of Transportation, Federal Highway Administration				
Highway Planning and Construction Cluster:				
Navarre Avenue Safety Project	20.205	ODOT	96295	23,056
Old Millard Ave Bridge	20.205	ODOT	100394	41,497
Seaman Road Bridge Replacement	20.205	ODOT	107148	1,116,902
Starr Ave Resurfacing Project	20.205	ODOT	109196	<u>400,000</u>
Total Highway Planning and Construction Cluster				<u>1,581,455</u>
Minimum Penalties for Repeat Offenders for Driving While Intoxicated:				
2020 Impaired Driving Enforcement Program	20.608	ODPS	IDEF-2020-Oregon Police Division-00061	<u>14,896</u>
Highway Safety Cluster:				
State and Community Highway Safety Program:				
2020 Selective Traffic Enforcement Program	20.600	ODPS	STEP-2020-Oregon Police Division-00061	5,252
2020 National Priority Safety Program	20.616	ODPS	DDEP-2020-Oregon Police Division-00038	<u>5,277</u>
Total Highway Safety Cluster				<u>10,529</u>
Total U.S. Department of Transportation, Federal Highway Administration				<u>1,606,880</u>
U.S. Department of Treasury				
COVID-19 Coronavirus Relief Fund	21.019	LC	N/A	<u>1,486,490</u>
U.S. Department of Homeland Security				
Disaster Grants - Public Assistance				
COVID-19 FEMA - Public Assistance Grant Program	97.036	OEMA	FEMA-DR-4507-OH	<u>13,092</u>
Total Expenditures of Federal Awards				<u><u>\$ 3,138,352</u></u>

See notes to schedule of expenditures of federal awards.

CITY OF OREGON, OHIO

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Oregon, Ohio (the "City") under programs of the federal government for the year ended December 31, 2020. The information in this schedule is presented 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.

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and other applicable regulations, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Revenues are recognized when the qualifying expenditures have been included and all grant requirements have been met.

2. 10% DE MINIMUS COST RATE

For purposes of charging indirect costs to federal awards, the City has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. PASS-THROUGH AGENCIES

The City receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
ODOT	Ohio Department of Transportation
ODPS	Ohio Department of Public Safety
LC	Lucas County
OEMA	Ohio Emergency Management Agency



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

June 25, 2021

Honorable Mayor and
Members of the City Council
City of Oregon, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the **City of Oregon, 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, and have issued our report thereon dated June 25, 2021.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

Independent Auditors' Report on Compliance for Each Major Federal Program and Internal Control over Compliance Required by the Uniform Guidance

June 25, 2021

Honorable Mayor and
Members of the City Council
City of Oregon, Ohio

Report on Compliance for Each Major Federal Program

We have audited the compliance of the City of Oregon, Ohio (the "City") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2020. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirement of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

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Opinion on Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



CITY OF OREGON, OHIO

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs and type of auditors' report issued on compliance for each major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
21.019	Coronavirus Relief Fund	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

CITY OF OREGON, OHIO

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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CITY OF OREGON, OHIO

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2020

None reported.

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF OREGON

LUCAS 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 7/15/2021

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