OHIO AUDITOR OF STATE
KEITH FABER

CITY OF UNIVERSITY HEIGHTS
CUYAHOGA COUNTY
DECEMBER 31, 2019

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CUYAHOGA COUNTY
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OHIO AUDITOR OF STATE
KEITH FABER

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INDEPENDENT AUDITOR'S REPORT

City of University Heights
Cuyahoga County
2300 Warrensville Center Road
University Heights, Ohio 44118

To the City Council:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of University Heights, Cuyahoga County, Ohio, as of December 31, 2019, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3, during 2019 the City reported a prior period adjustment to properly report property tax receivable. This resulted in a restatement of Governmental Activities Net Position at December 31, 2018. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 3, 2021, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Keith Faber
Auditor of State
Columbus, Ohio

May 3, 2021

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The discussion and analysis of the City of University Heights's (the "City") financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2019. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers are encouraged to consider the information presented here in conjunction with the additional information contained in the financial statements and the notes thereof.

Financial Highlights

Key financial highlights for 2019 are as follows:

- The assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources of the City at the close of the most recent fiscal year by $2,757,868.

- The net position increased by $8,759,572 from the prior year. Total assets and deferred outflows of resources increased by $6,430,626 and liabilities and deferred inflows of resources decreased by $2,328,946.

- The total fund balance for the General Fund was $5,126,461, an increase of $196,384 from prior year.

- The Ohio Police and Fire Pension Fund made a change in its health care model resulting in a decrease in its current year OPEB expense. This change decreased the City's Security of persons and property expense by $9,911,798 from 2018.

Using this Annual Financial Report

This discussion and analysis are intended to serve as an introduction to the City of University Heights's basic financial statements. The City of University Heights's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements – Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

The Statement of Net Position presents information on all the City's assets, liabilities and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increase or decrease in net position may serve as a useful indicator of whether the financial position of the City of University Heights is improving or deteriorating. However, in evaluating the overall position of the City, non-financial factors such as the City's tax base, change in property and income tax laws, and the condition of the capital assets should also be considered.

Both the Statement of Net Position and the Statement of Activities use the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Fund Financial Statements – Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements are used to report additional and detailed information about the City. These statements focus on major funds of the City. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of University Heights can be divided into two categories: governmental funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. 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. Both the governmental fund balance sheet and the government fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds.

For the City's governmental funds, information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the General Fund, and other major funds.

The basic governmental fund financial statements can be found starting on page 16 of this report.

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 statements because the resources are not available to support the City's own programs. The fiduciary fund financial statements can be found starting on page 21 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found starting on page 23 of this report.

Government-wide Financial Analysis – The City as a Whole

As noted earlier, the Statement of Net Position looks at the City as a whole and can prove to be a useful indicator of the City's financial position.

The Statement of Net Position and the Statement of Activities are divided into the following categories:

- Assets and Deferred Outflows of Resources
- Liabilities and Deferred Inflows of Resources
- Net Position (Assets and Deferred Outflows of Resources minus Liabilities and Deferred Inflows of Resources)
- Program Expenses and Revenues
- General Revenues
- Net Position Beginning and End of Year

Table 1 provides a summary of the City's net position for 2019 as compared to 2018.

Table 1 - Net Position

	Governmental Activities	
	2019	2018 *
Assets		
Current and Other Assets	$ 17,439,941	$ 17,991,290
Net Pension Asset	13,500	16,674
Capital Assets	15,060,491	12,355,940
Total Assets	32,513,932	30,363,904
Deferred Outflows of Resources		
Pension	6,579,639	2,636,802
OPEB	1,686,079	1,348,318
Total Deferred Outflows of Resources	8,265,718	3,985,120
Liabilities		
Current and other liabilities	1,515,475	1,543,867
Long-term Liabilities:		
Due within one year	938,665	875,493
Due in more than one year:		
Net Pension Liability	23,155,465	16,028,955
Net OPEB Liability	4,345,133	14,035,188
Other Amounts	3,586,858	2,748,320
Total Liabilities	33,541,596	35,231,823
Deferred Inflows of Resources		
Property Taxes	2,835,231	2,459,625
Pension	738,146	2,024,095
OPEB	906,809	635,185
Total Deferred Inflows of Resources	4,480,186	5,118,905
Net Position		
Net Investment in Capital Assets	11,268,603	8,884,070
Restricted	4,769,203	7,283,745
Unrestricted	(13,279,938)	(22,169,519)
Total Net Position	$ 2,757,868	$ (6,001,704)

* Restated

The net pension liability (NPL) is one of the larger liabilities reported by the City at December 31, 2019 and is reported pursuant to Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. The City previously 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/OPEB, the net pension/OPEB liability to the reported net position and subtracting deferred outflows related to pension/OPEB and the net pension asset.

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

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

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

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

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

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

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

A portion of the City's net position reflects its net investment in capital assets. Capital assets include construction in progress, land, buildings and improvements, vehicles, equipment, and infrastructure. The City uses those capital assets to provide services to its citizens; consequently, they are not available for future spending. Net investment in capital assets as of December 31, 2019, was $11,268,03. Although the City's investment is reported net of related debt, it should be noted that resources to repay the debt must be provided from other sources since capital assets may not be used to liquidate these liabilities.

An additional portion of the City's net position, $4,769,203 represents resources that have been restricted on how they may be used.

The changes in deferred outflows of Resources, deferred inflows of resources, net pension liability and Net OPEB liability are due to the recording of GASB Statement Nos. 68 and 75 as previously mentioned.

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In order to further understand what makes up the changes in net position for the current year, Table 2 provides further details regarding the results of activities for the current year.

Table 2 - Change in Net Position

	Governmental Activities	
	2019	2018
Revenues		
Program Revenues:		
Charges for Services	$ 1,443,990	$ 1,873,693
Operating Grants and Contributions	771,874	323,760
Capital Grants and Contributions	667,084	1,829,797
General Revenues:		
Property Taxes	3,113,956	2,843,949
Municipal Income Taxes	10,241,709	10,215,413
Payments in lieu of taxes	372,936	9,000
Other Taxes	140,024	135,291
Grants and Entitlements	838,206	527,296
Investment income	191,005	127,799
Gain on Sale of Capital Assets	7,152	-
All Other Revenue	321,076	502,640
Total Revenues	18,109,012	18,388,638
Program Expenses		
Security of Persons and Property	778,690	9,346,275
Public Health and Welfare	64,175	58,489
Leisure Time Activities	580,466	284,831
Community Development	1,309,840	746,560
Basic Utility Services	2,567,015	2,449,473
Transportation	1,401,451	411,326
General Government	2,587,862	3,996,738
Interest and Fiscal Charges	59,941	69,677
Total Program Expenses	9,349,440	17,363,369
Increase in Net Position	8,759,572	1,025,269
Net Position, Beginning of Year, Restated	(6,001,704)	(7,026,973)
Net Position, End of Year	$ 2,757,868	$ (6,001,704)

Total revenues decreased slightly by $279,626 in 2019. This decrease was mainly due to decreases in capital grants and contributions. The capital grants and contributions decreased due to the City receiving a grant from the City of Cleveland for a water line project and a roadway matching program grant in 2018 that was not received in 2019.

The City's collection agency is the Regional Income Tax Agency located in Brecksville, Ohio. During 2019, the income tax revenue was $10,241,709. Another major revenue source is property taxes. The effective tax rate for 2019 was $13.20 per $1,000 of assessed valuation. The annual property tax is calculated using the taxable value (market value multiplied by 35 percent) of the property multiplied by the property effective tax rate levied by the City, Cuyahoga County, Cleveland Heights-University Heights City School District and Cleveland Heights-University Heights Public Library. During 2019, the property tax revenue was $3,113,956.

Total program expenses decreased by $8,013,929 in 2019 when compared to 2018. This decrease can mainly be attributed to OPEB expense calculated in accordance with GASB Statement No 75. This decrease is attributable to The Ohio Police and Fire Pension Fund (OP&F) making a change to its health care model. Beginning January 1, 2019 OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, OP&F management expects that it will be able to provide stipends to eligible participants for the next 15 years. This change decreased the City's Security of persons and property expense by $9,911,798 from 2018.

Expenses are categorized by functions. The largest program expense (excluding OPEB adjustment as discussed above), security of persons and property, includes police, fire, police and fire communications, traffic control, animal control, and public safety, was over 50% of the total governmental expenses.

The City's Funds

Information about the City's funds starts on page 16. These funds are accounted for using the modified accrual basis of accounting.

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

As of the end of the year, the City's governmental funds reported combined ending fund balance of $8,438,141, a decrease of $842,594 in comparison with the prior year. Of this fund balance, $4,749,725 of the ending combined fund balance for 2019 constitutes *assigned and unassigned fund balance* combined, which is available for spending at the governments discretion. The remainder of fund balance is *nonspendable, restricted, or committed* to indicate that it is not available for new spending because it is not in spendable form or it has already been restricted or committed by external or internal constraints.

The General Fund is the main operating fund of the City. At the end of 2019, total fund balance for the General Fund was $5,126,461. The General Fund balance increased by $196,384 during the current fiscal year.

The Capital Improvement Fund balance decreased by $611,947. The decrease is attributed to expenditures exceeding revenues.

General Fund Budgeting Highlights

The most significant budgeted fund is the General Fund. Over the course of the year, the City Council revises the City's General Fund budget to prevent budget overruns.

The original and final appropriations, including other financing uses is $16,305,300 and $16,350,300 respectively. The actual charges to appropriations (expenditures) were $1,366,246 below the final budgeted amount for the General Fund mostly due to the operating efficiencies.

Capital Assets and Debt Administration

Capital Assets

At the end of 2019, the City of University Heights had $15,060,491 invested in a broad range of capital assets, including land, buildings and improvements, equipment, vehicles, construction in progress and infrastructure.

Table 3 shows fiscal 2019 balances of capital assets as compared to 2018:

Table 3 - Capital Assets at December 31 (Net of Depreciation)

	Governmental Activities	
	2019	2018
Land	$ 858,369	$ 774,054
Construction-in-progress	2,545,354	746,587
Buildings and Improvements	1,917,252	907,037
Vehicles	2,739,311	2,443,133
Equipment	200,008	151,205
Infrastructures:		
Pavement	5,631,690	6,139,724
Traffic Lights	39,038	41,267
Storm Sewers	152,097	154,976
Sanitary Sewers	977,372	997,957
Total Capital Assets	$ 15,060,491	$ 12,355,940

The City has an aggressive stance on maintaining its assets, including infrastructure, in excellent condition. Vehicles such as police cars are planned for well in advance by the respective department heads and a scheduled maintenance and replacement timetable is followed to provide peak performance for the maximum time frame.

More detailed information about the City's capital assets is presented in Note 8 to the financial statements.

Debt

At December 31, 2019, the City of University Heights had $3,791,888 in outstanding debt. Table 4 summarizes the outstanding debt obligations of the City.

Table 4 - Outstanding Debt at December 31

	Governmental Activities	
	2019	2018
General Obligation Bonds	$ 2,070,000	$ 2,440,000
OPWC Loans	415,465	440,750
SIB Loan	-	82,378
Capital leases	1,306,423	-
Total Outstanding Debt	$ 3,791,888	$ 2,963,128

The State limits the amount of general obligation debt that cities can issue to 5.50 percent of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt is significantly below the State imposed limit and the City is confident in a strong credit rating. No bond issues or other public borrowing is expected in 2020.

Other obligations include net pension/OPEB liability, and accrued compensated absences. More detailed information about the City's long-term liabilities is presented in Note 11 to the basic financial statements.

Current Related Financial Activities

In preparing for the 2019 budget, the City has addressed staffing shortages, in particular in the Fire Department and Police Department. The City expects its budgetary constraints to continue. The City continues to seek out grant funding. To maintain the integrity of the budget in 2020 and beyond, the City is preparing a five-year budget forecast concurrent with the preparation of the 2021 budget. The City Administration recognizes the need for long-term financial planning in order to adapt to changes in the financial environment of our region. This long-term financial planning will enable the City to cope with reduced payroll withholding income tax revenues that will result from the closing of Wiley Middle School at the end of the Cleveland Heights-University Heights City School District 2018-2019 school year. More recent developments related to the COVID-19 pandemic will also increase regular examination of financial issues to plan budget direction and strategy.

Contacting the City of University Heights's Finance Department

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 all money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact Finance Director Dennis Kennedy at 2300 Warrensville Center Road, University Heights, Ohio 44118.

City of University Heights, Ohio

Statement of Net Position
For the Year Ended December 31, 2019

	Governmental Activities
ASSETS	
Equity in Pooled Cash and Cash Equivalents	$ 7,917,370
Materials and Supplies Inventory	270,521
Accounts Receivable	168,464
Accrued Interest Receivable	7,961
Intergovernmental Receivable	683,692
Prepaid Items	215,766
Income Taxes Receivable	3,898,211
Property and Other Taxes Receivable	3,199,164
Special Assessments Receivable	1,078,792
Net Pension Asset	13,500
Nondepreciable Capital Assets	3,403,723
Depreciable Capital Assets	11,656,768
Total Assets	32,513,932
DEFERRED OUTFLOWS OF RESOURCES	
Pension	6,579,639
OPEB	1,686,079
Total Deferred Outflows of Resources	8,265,718
LIABILITIES	
Accounts Payable	464,129
Contracts Payable	271,525
Accrued Wages and Benefits	473,723
Intergovernmental Payable	172,651
Accrued Interest Payable	4,161
Retainage Payable	37,070
Unearned Revenue	92,216
Long-term Liabilities:	
Due within one year	938,665
Due in more than one year:	
Net Pension Liablity	23,155,465
Net OPEB Liability	4,345,133
Other Amounts Due in more than one year	3,586,858
Total Liabilities	33,541,596
DEFERRED INFLOWS OF RESOURCES	
Property Taxes	2,835,231
Pension	738,146
OPEB	906,809
Total Deferred Inflows of Resources	4,480,186
NET POSITION	
Net Investment in Capital Assets	11,268,603
Restricted for:	
Debt Services	319,038
Capital Projects	1,095,496
Sewer Maintenance	1,273,330
Community Development	707,280
Street Maintenance and Lighting	1,276,286
Other Purposes	97,773
Unrestricted	(13,279,938)
Total Net Position	$ 2,757,868

See accompanying notes to the basic financial statements.

City of University Heights, Ohio

Statement of Activities

For the Year Ended December 31, 2019

Functions	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Primary Government:					
Governmental Activities:					
Security of Persons and Property	$ 778,690	$ 462,453	$ 8,382	$ -	$ (307,855)
Public Health and Welfare	64,175	-	-	-	(64,175)
Leisure Time Activities	580,466	123,648	40,646	-	(416,172)
Community Development	1,309,840	583,073	-	-	(726,767)
Basic Utility Services	2,567,015	182,918	5,500	649,158	(1,729,439)
Transportation	1,401,451	-	644,304	-	(757,147)
General Government	2,587,862	91,898	73,042	17,926	(2,404,996)
Interest and Fiscal Charges	59,941	-	-	-	(59,941)
Total Governmental Activities	$ 9,349,440	$ 1,443,990	$ 771,874	$ 667,084	(6,466,492)

General Revenues:	
Property Taxes levied for:	
General Purposes	2,485,377
Debt Service Purpose	487,875
Other Purposes	140,704
Payments in Lieu of taxes	372,936
Municipal Income Taxes levied for:	
General Purposes	9,457,312
Other Purposes	784,397
Other Taxes	140,024
Grants & Entitlements not restricted to specific programs	838,206
Investment Income	191,005
Gain on Sale of Capital Assets	7,152
All Other Revenues	321,076
Total General Revenues	15,226,064
Change in Net Position	8,759,572
Net Position - Beginning of Year, Restated	(6,001,704)
Net Position - End of Year	$ 2,757,868

See accompanying notes to the basic financial statements.

City of University Heights, Ohio

Balance Sheet
Governmental Funds
December 31, 2019

	General Fund	Capital Improvement	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in Pooled Cash and Cash Equivalents	$ 3,993,021	$ 630,381	$ 3,293,968	$ 7,917,370
Materials and Supplies Inventory	95,924	-	174,597	270,521
Accrued Interest Receivable	7,961	-	-	7,961
Accounts Receivable	168,464	-	-	168,464
Interfund Receivable	93,498	-	-	93,498
Intergovernmental Receivable	392,054	-	291,638	683,692
Prepaid Items	211,291	-	4,475	215,766
Income Taxes Receivable	3,703,300	194,911	-	3,898,211
Property and Other Taxes Receivable	2,560,625	-	638,539	3,199,164
Special Assessments Receivable	42,214	-	1,036,578	1,078,792
Total Assets	$ 11,268,352	$ 825,292	$ 5,439,795	$ 17,533,439
LIABILITIES				
Liabilities:				
Accounts Payable	$ 127,846	$ 25,814	$ 310,469	$ 464,129
Accrued Wages and Benefits	462,903	-	10,820	473,723
Contracts Payable	-	271,525	-	271,525
Intergovernmental Payable	61,542	-	111,109	172,651
Retainage Payable	-	37,070	-	37,070
Interfund Payable	-	-	93,498	93,498
Unearned Revenue	-	-	92,216	92,216
Total Liabilities	652,291	334,409	618,112	1,604,812
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	2,261,559	-	573,672	2,835,231
Unvailable Revenue - Delinquent Property Taxes	264,447	-	64,867	329,314
Unvailable Revenue - Income Taxes	2,497,767	131,462	-	2,629,229
Unvailable Revenue - Special Assessments	39,348	-	1,036,578	1,075,926
Unvailable Revenue - Other	426,479	-	194,307	620,786
Total Deferred Inflows of Resources	5,489,600	131,462	1,869,424	7,490,486
FUND BALANCES				
Nonspendable	307,215	-	179,072	486,287
Restricted	-	359,421	2,842,708	3,202,129
Assigned	1,587,970	-	-	1,587,970
Unassigned (Deficit)	3,231,276	-	(69,521)	3,161,755
Total Fund Balances	5,126,461	359,421	2,952,259	8,438,141
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 11,268,352	$ 825,292	$ 5,439,795	$ 17,533,439

See accompanying notes to the basic financial statements.

City of University Heights, Ohio

Reconciliation of Total Governmental Fund Balance to Net Position of Governmental Activities
December 31, 2019

Total Governmental Fund Balances		$	8,438,141
Amounts reported for Governmental Activities in the Statement of Net Position are different because:			
Capital Assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.			15,060,491
Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:			
Delinquent Property taxes	329,314		
Municipal Income taxes	2,629,229		
Special assessments	1,075,926		
Intergovernmental	478,996		
Charges for services	121,375		
Other taxes	19,365		
All other revenues	1,050		
Total			4,655,255
In the Statement of Activities, interest is accrued on outstanding debt, whereas in Governmental funds, an interest expenditure is reported when due.			(4,161)
The net pension liability/asset and net OPEB asset are not due and payble in the current period; therefore, the liability/asset and related deferred inflows/ outflows are not reported in governmental funds:			
Deferred Outflows - Pension	6,579,639		
Deferred Inflows - Pension	(738,146)		
Net Pension Liability	(23,155,465)		
Net Pension Asset	13,500		
Deferred Outflows - OPEB	1,686,079		
Deferred Inflows - OPEB	(906,809)		
Net OPEB Liability	(4,345,133)		
Total			(20,866,335)
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	(2,070,000)		
OPWC loans	(415,465)		
Capital leases	(1,306,423)		
Compensated absences	(733,635)		
Total			(4,525,523)
Net Position of Governmental Activities		$	2,757,868

See accompanying notes to the basic financial statements.

City of University Heights, Ohio

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General Fund	Capital Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	$ 2,449,427	$ -	$ 619,759	$ 3,069,186
Municipal Income Taxes	9,690,916	575,478	-	10,266,394
Payments in lieu of taxes	-	-	372,936	372,936
Other Taxes	141,239	-	-	141,239
Intergovernmental	858,290	17,926	893,795	1,770,011
Interest	205,802	-	-	205,802
Licenses and Permits	378,117	-	2,873	380,990
Fines and Forfeitures	147,506	-	-	147,506
Charges for Services	459,021	-	7,971	466,992
Special Assessments	35,545	-	975,828	1,011,373
All Other Revenues	323,553	-	2,322	325,875
Total Revenues	14,689,416	593,404	2,875,484	18,158,304
EXPENDITURES				
Security of Persons and Property	8,990,604	-	250,096	9,240,700
Public Health and Welfare	64,175	-	-	64,175
Leisure Time Activities	429,394	-	3,087	432,481
Community Development	971,720	-	188,860	1,160,580
Basic Utility Services	1,156,825	-	1,088,673	2,245,498
Transportation	510,599	-	112,766	623,365
General Government	1,976,867	-	372,936	2,349,803
Capital Outlay	-	2,911,774	747,751	3,659,525
Debt Service:				
Principal Retirement	-	-	477,663	477,663
Interest and Fiscal Charges	-	-	60,683	60,683
Total Expenditures	14,100,184	2,911,774	3,302,515	20,314,473
Excess of Revenues Over (Under) Expenditures	589,232	(2,318,370)	(427,031)	(2,156,169)
OTHER FINANCING SOURCES (USES)				
Sale of Capital Assets	7,152	-	-	7,152
Inception of Capital Lease	-	1,306,423	-	1,306,423
Transfer In	-	400,000	-	400,000
Transfer Out	(400,000)	-	-	(400,000)
Total Other Financing Sources (Uses)	(392,848)	1,706,423	-	1,313,575
Net Change in Fund Balances	196,384	(611,947)	(427,031)	(842,594)
Fund Balances - Beginning of Year, restated	4,930,077	971,368	3,379,290	9,280,735
Fund Balances - End of Year	$ 5,126,461	$ 359,421	$ 2,952,259	$ 8,438,141

See accompanying notes to the basic financial statements.

City of University Heights, Ohio

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2019

Net Change in Fund Balances - Total Governmental Funds		$ (842,594)
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	$ 3,598,189	
Depreciation	(893,638)	
Total		2,704,551
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		
Property taxes	44,770	
Income taxes	(24,685)	
Special assessments	454,926	
Intergovernmental	(531,206)	
Investment Income	(14,797)	
Charges for services	14,446	
Other taxes	(1,215)	
All other revenues	1,050	
Total		(56,711)
Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. Theses sources were attributed to the issuance of a capital lease.		(1,306,423)
Repayment of various debt principal are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		477,663
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows		
Pension		1,557,826
OPEB		27,994
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension		(3,458,724)
OPEB		9,728,198
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental funds.		
Compensated absences	(72,950)	
Accrued interest	742	
Total		(72,208)
Change in Net Position of Governmental Activities		$ 8,759,572

See accompanying notes to the basic financial statements.

City of University Heights, Ohio

Statement of Revenues, Expenditures, and Changes in Fund Balance –
Budget (Non-GAAP Budgetary Basis) and Actual – General Fund
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with Final Budget Over
	Original	Final	Actual	(Under)
REVENUES:				
Property Taxes	$ 2,297,490	$ 2,449,427	$ 2,449,427	$ -
Municipal Income Taxes	9,230,906	9,958,221	9,958,221	-
Other Taxes	120,858	130,381	130,381	-
Licenses and Permits	350,454	378,067	378,067	-
Fines and Forfeitures	138,618	149,540	149,540	-
Special Assessments	32,949	35,545	35,545	-
Charges for Services	422,436	457,544	455,720	(1,824)
Intergovernmental	761,767	821,788	821,788	-
Interest	138,198	149,087	149,087	-
All Other Revenues	302,486	326,319	326,319	-
Total Revenues	13,796,162	14,855,919	14,854,095	(1,824)
EXPENDITURES:				
Current:				
General Government	2,560,440	2,353,266	2,069,938	283,328
Security of Persons and Property	9,847,854	9,950,354	9,267,348	683,006
Basic Utility	1,229,327	1,229,327	1,199,817	29,510
Transportation	587,600	609,600	556,770	52,830
Public Health and Welfare	60,000	64,175	64,175	-
Community Development	1,217,912	1,227,911	995,948	231,963
Leisure Time Activities	377,167	486,167	427,558	58,609
Total Expenditures	15,880,300	15,920,800	14,581,554	1,339,246
Excess of Revenues over Expenditures	(2,084,138)	(1,064,881)	272,541	1,337,422
OTHER FINANCING SOURCES (USES):				
Sale of Fixed Assets	7,152	7,152	7,152	-
Transfers Out	(425,000)	(429,500)	(402,500)	27,000
Advances In	215,631	215,631	215,631	-
Total Other Financing Sources and Uses	(202,217)	(206,717)	(179,717)	27,000
Net Change in Fund Balance	(2,286,355)	(1,271,598)	92,824	1,364,422
Fund Balances, Beginning, Restated	3,594,138	3,594,138	3,594,138	-
Fund Balances, Ending	$ 1,307,783	$ 2,322,540	$ 3,686,962	$ 1,364,422

See accompanying notes to the basic financial statements.

City of University Heights, Ohio

Statement of Fiduciary Net Position
Custodial Fund
December 31, 2019

		Custodial Fund
ASSETS		
Cash and Cash Equivalents with Fiscal Agent	$	15,916
Total Assets		15,916
LIABILITIES		
Total Liabilities		-
NET POSITION		
Restricted For:		
Individuals, Organizations, and Other Governments		15,916
Total Net Position	$	15,916

See accompany notes to the basic financial statements.

City of University Heights, Ohio

Statement of Changes in Fiduciary Net Position
Custodial Fund
For the Year Ended December 31, 2019

	Custodial Fund
ADDITIONS	
Amounts Received as Fiscal Agent	$ 27,200
Total Additions	27,200
DEDUCTIONS	
Distributions as Fiscal Agent	11,284
Total Deductions	11,284
Net Increase in Fiduciary Net Position	15,916
Net Position - Beginning of Year	-
Net Position - End of Year	$ 15,916

See accompany notes to the basic financial statements.

Note 1: The Reporting Entity

The City of University Heights, Ohio (the "City") is a municipal corporation governed by an elected mayor and council.

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of University Heights, this includes police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City does not have any component units.

The City is associated with two organizations which are defined as a shared risk pool and a jointly governed organization. The Northern Ohio Management Association is a shared risk pool and the Northeast Ohio Public Energy Council is a jointly governed organization. The shared risk pool is presented in Note 16 and the jointly governed organization is presented in Note 19 to the basic financial statements.

Note 2: Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles.

A. Basis of Presentation

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal activity is eliminated to avoid doubling up revenues and expenses.

Note 2: Summary of Significant Accounting Policies (continued)

A. Basis of Presentation (continued)

The Statement of Net Position presents the financial condition of the governmental activities of the City at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants, and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues 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 governmental function or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

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

B. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. There are three categories of funds: governmental, proprietary, and fiduciary. The City does not maintain any proprietary funds.

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

> *General Fund* – The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City and/or the general laws of Ohio.
>
> *Capital Improvement Fund* – The Capital Improvement Fund is supported by allocations of income tax proceeds and transfers from the General Fund. The Capital Improvement Fund is used to procure land, equipment and property necessary for the benefit of the City. Purchases charged to the Capital Improvement Fund are subject to legislative action of Council for approval.

Note 2: Summary of Significant Accounting Policies (continued)

B. Fund Accounting (continued)

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

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund.

The City's fiduciary fund is a custodial fund. The custodial fund is used to account for fiscal agent activity.

C. Measurement Focus

Government-Wide Financial Statements

The government-wide financial statements are prepared using the flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the City are included on the Statement of Net Position, except for fiduciary funds. The Statement of Activities presents increases (e.g. revenues) and decreases (e.g. expenses) in total net position.

Fund Financial Statements

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows along with all liabilities and deferred inflows associated with the operation of these funds are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The Statement of Cash Flows provides information about how the City finances and meets the cash flow needs of its proprietary activities. The City has no proprietary funds.

Fiduciary funds are reported using a flow of economic resources measurement focus.

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting

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

Revenues – Exchange and Non-Exchange Transactions

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned.

Revenue from property taxes is recognized in the year for which the taxes are levied (see Note 7).

Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and other postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Notes 9 and 10, respectively.

Note 2: Summary of Significant Accounting Policies (continued)

D. Basis of Accounting (continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenues. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance year 2020 operations and project revenue represents imposed nonexchange revenues. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, special assessments, intergovernmental, charges for services, other taxes and other revenues. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Notes 9 and 10).

Expenses/Expenditures

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

E. Budgetary Process

Annual budgets are adopted on a cash basis for all governmental funds. All annual appropriations lapse at fiscal year end.

The Mayor submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

The appropriated budget is prepared at the fund, department, personal services and other expenses level for all funds, which is the legal level of control. Transfers of appropriations between departments require the approval of the Council. Expenditures may not exceed appropriations at the legal level of control.

Encumbrance accounting is employed in governmental funds. In 2019, encumbrances (e.g., purchase orders and contracts) outstanding at year end lapsed and reverted to the respective fund from which it was originally appropriated and will become subject to future appropriations.

Note 2: Summary of Significant Accounting Policies (continued)

F. Cash and Cash Equivalents

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

During 2019, the portfolio was limited to a money market mutual fund, negotiable certificates of deposits, STAR Ohio, and federal agencies. Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as nonnegotiable certificates of deposit are reported at cost.

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

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

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2019 amounted to $205,802, which includes $102,008 assigned from other funds. GASB Statement No. 31 requires the change in fair value to be reported as revenue.

Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are presented on the financial statements as cash equivalents.

G. Inventory

Inventories are stated at cost, on the first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when purchased.

H. Prepaid Items

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

Note 2: Summary of Significant Accounting Policies (continued)

I. Capital Assets

General capital assets are those long-lived assets of the City as a whole. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their acquisition value as of the date received. The City maintains a capitalization threshold of $10,000. The City's infrastructure consists of pavement, storm sewers, and sanitary sewers. Improvements that add to the value of the asset or materially extend the life of an asset are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

Description	Estimated Lives
Buildings and improvements	15-40 years
Equipment	5-20 years
Vehicles	5-25 years
Infrastructure	20-80 years

J. Interfund Balances

On the fund financial statements, receivables and payables resulting from transactions between funds for services provided or goods received and from short-term interfund loans are classified as "interfund receivables/payables." Interfund balance amounts are eliminated in the Statement of Net Position.

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

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

Note 2: Summary of Significant Accounting Policies (continued)

L. Compensated Absences

The City accrues vacation and sick leave benefits as earned by its employees if the leave is attributable to past service and it is probable that the City will compensate the employees for the benefits through paid time off or some other means, such as cash payments at termination or retirement.

The City accrued these benefits for those employees who currently are eligible to receive termination payments, as well as other employees who are expected to become eligible in the future. These benefits are measured using the pay rates in effect at December 31, 2019.

M. Pensions/OPEB

For purposes of measuring the net pension and OPEB liabilities, net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB expense, information about the fiduciary net position of the pension and 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 and OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension and OPEB plans report investments at fair value.

N. Fund Balance

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

Nonspendable – The nonspendable fund balance classification includes amounts that cannot be spent because they are not spendable in form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as properly acquired for resale, unless the use of the proceeds from the collection of those receivables ar from the sale of those properties is restricted, committed, or assigned.

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

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

Note 2: Summary of Significant Accounting Policies (continued)

N. Fund Balance (continued)

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

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

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

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

O. Net Position

Net Position is the residual amount when comparing assets and deferred outflows of resources to liabilities and deferred inflows of resources. The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. The restricted component of net position is reported when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

The government-wide statement of net position reports $4,769,203 of the restricted component of net position, none of which is restricted by enabling legislation. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

Note 2: Summary of Significant Accounting Policies (continued)

P. 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. Repayments from funds responsible for particular expenditures to the funds that initially paid for them are not presented on the financial statements.

Q. Extraordinary and Special Items

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

R. Estimates

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

Note 3: Changes in Accounting Principles and Restatement of Net Position/Fund Balance

A. Changes in Accounting Principles

During the year, the City implemented the following Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 84, *Fiduciary Activities*. This Statement established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. The City reviewed its fiduciary funds and certain funds will be reported in the new fiduciary fund classification of custodial funds while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of beginning net position and fund balance.

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61).* The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statements information for certain component units. The implementation of this Statement did not have an effect on the financial statements of the City.

GASB Statement No. 95, *Postponement of the Effect Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The City has postponed the implementation of GASB Statement No. 83, GASB Statement No. 83, and GASB Statement No. 88.

Note 3: Changes in Accounting Principles and Restatement of Net Position/Fund Balance (continued)

B. Restatement of Net Position/Fund Balance

During 2019, the City restated the net position of the governmental activities as a result of implementing GASB Statement No. 84 and to correct the fund classifications and property tax receivable as of December 31, 2018.

	General	Other Governmental	Total Governmental Funds
Fund Balance December 31, 2018	$ 4,620,144	$ 4,440,591	$ 9,060,735
Adjustments:			
GASB Statement No. 84	220,000	-	220,000
Reclassification of Governmental funds	89,933	(89,933)	-
Restated Fund Balance December 31, 2018	$ 4,930,077	$ 4,350,658	$ 9,280,735

	Governmental Activities
Net Position December 31, 2018	$ (2,280,509)
Adjustments:	
GASB Statement No. 84	220,000
Property Tax Receivable	(3,941,195)
Restated Net Position December 31, 2018	$ (6,001,704)

Note 4: Fund Balances

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

	General	Capital Improvement	Other Governmental Funds	Total
Components of Fund Balance:				
Nonspendable				
Prepaid Items	$ 211,291	$ -	$ 4,475	$ 215,766
Inventories	95,924	-	174,597	270,521
Total Nonspendable	307,215	-	179,072	486,287

(continued)

Note 4: Fund Balances (continued)

	General	Capital Improvement	Other Governmental Funds	Total
Restricted				
Streets and Highways	$ -	$ -	$ 702,717	$ 702,717
Law Enforcement	-	-	65,076	65,076
Sewers	-	-	824,583	824,583
Street Lighting	-	-	35,352	35,352
Tree Improvement	-	-	526,653	526,653
Community	-	-	34,573	34,573
General Bond Retirement	-	-	250,940	250,940
Capital Improvements	-	359,421	402,814	762,235
Total Restricted	-	359,421	2,842,708	3,202,129
Assigned				
Subsequent Year Appropriations	1,409,930	-	-	1,409,930
Law Enforcement	114,044	-	-	114,044
Community	4,582	-	-	4,582
Refuse Collection	21,183	-	-	21,183
General Government	38,231	-	-	38,231
Total Assigned	1,587,970	-	-	1,587,970
Unassigned	3,231,276	-	(69,521)	3,161,755
Total Fund Balance	$ 5,126,461	$ 359,421	$ 2,952,259	$ 8,438,141

Note 5: Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statements of Revenues, Expenditures, and Changes in Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are identified as follows:

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

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

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

(d) The Unclaimed Monies Fund is included in the General Fund (GAAP basis), but has a separate legally adopted budget (budget basis).

Note 5: Budgetary Basis of Accounting (continued)

(e) Encumbrances are treated as expenditures (budget basis) rather than as a part of restricted, committed, or assigned fund balance (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement for the General Fund.

Net Change in Fund Balance	
GAAP Basis	$ 196,384
Increase (Decrease) Due to:	
Revenue Accruals	164,679
Expenditure Accruals	(235,533)
Advances In	215,631
Net Impact of Encumbrances	(245,837)
Separate legally adopted budget	(2,500)
Budgetary Basis	$ 92,824

Note 6: Deposits and Investments

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

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

Inactive deposits are monies identified as not required for use within the current five-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim monies may be deposited or invested in the following securities:

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

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

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;

Note 6: Deposits and Investments (continued)

4. Investment grade obligations of state and local governments, and public authorities;

5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) 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,

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

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

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

Cash on Hand

At year-end, the City had $250 in undeposited cash on hand, which is included on the balance sheet of the City as part of equity in pooled cash and cash equivalents.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the City's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by establishing and pledging to the Treasurer of State a single pool of collateral for the benefit of every public depositor. The total market value of the securities pledged must meet either of the following:

One hundred two percent of the total amount of all uninsured public deposits; or

An amount determined by rules adopted by the treasurer of state that set forth the criteria for determining the aggregate market value of the pool of eligible securities pledged by a public depository.

At year-end, the carrying amount of the City's deposits was $862,265, and the bank balance was $1,138,960. Of the bank balance, $291,163 was covered by federal depository insurance. The remaining uncovered balance was collateralized through the Ohio Pooled Collateral System.

Note 6: Deposits and Investments (continued)

Investments

STAR Ohio is measured at net asset value per share while all other investments are measured at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. As of December 31, 2019, the city had the following investments:

	Measurement Value	Credit Rating	Investment Maturities (in Years) <1	1-3	3-5
Investment Type:					
Money Market Mutual Fund	$ 4,630,518	N/A	$ 4,630,518	$ -	$ -
Negotiable CD's	1,241,105	N/A	496,686	744,419	-
U.S. Agencies	1,199,148	Aaa/AA+	1,199,148	-	-
Total Investments	7,070,771		$ 6,326,352	$ 744,419	$ -

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

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

- Negotiable certificates of deposit and U.S. agencies are measured based on Level 2 inputs, using a matrix or model pricing method.
- Money market is based on Level 1 inputs and is valued at amortized costs, which approximates fair value.
- STAR Ohio is valued at amortized cost. At December 31, 2019, the average days to maturity was one day.

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

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

Note 6: Deposits and Investments (continued)

Credit Risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that portfolio be diversified both by types of investment and issuer. The City's investment in STAR Ohio carries an "AAAm" money market rating by Standard & Poor's and the U.S. agencies carry a rating of AA+ by Standard & Poor's. The negotiable certificate of deposits and money market are unrated.

Concentration of Credit Risk is defined by the Governmental Accounting Standards Board as five percent or more in the securities of a single issuer. The City's investment policy places no limit on the amount the City may invest in one issuer. The following is the City's allocation as of December 31, 2019:

Investment Issuer	Percentage of Investments
Money Market Mutual Fund	65%
Negotiable CD's	18%
U.S. agencies	17%

Note 7: Receivables

A. Property Taxes

Property taxes include amounts levied against all real property and public utility tangible personal property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections for 2018 taxes. Property tax payments received during 2019 for tangible personal property, except for public utility property, are for prior year unpaid tangible personal property taxes.

Real property taxes (other than public utility property) are levied after October 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by the Cuyahoga County Auditor at 35 percent of the appraised market value, and reappraisal of all property is required every six years with a triennial update. The latest update was completed in 2018.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due January 20; if paid semi-annually, the first payment is due mid January with the remainder payable by mid-July. Taxes not paid become delinquent after December 31 of the year in which payable. Under certain circumstances, State statute permits earlier or later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. Public utility real and tangible personal property taxes collected during the calendar year were levied in the preceding calendar year based on assessed values as of January 1 of that preceding year, the lien date.

Tangible personal property used in business (except for public utilities) was phased out – the assessment percentage for all property including inventory for 2019 is zero. Amounts for prior year unpaid tangible personal property taxes may still be collected. Under Ohio law, personal property taxes do not attach as a lien on the personal property.

Note 7: Receivables (continued)

A. Property Taxes (continued)

While property tax rates are levied by the City, the Cuyahoga County Fiscal Officer is statutorily responsible for administering and collecting real property taxes on the behalf of all taxing authorities in the county, including the City.

The tax rate levied to finance the City's services for the year ended December 31, 2019 was $13.20. The assessed values of real and public utility property upon which 2019 property tax receipts were based are as follows:

Property Category	Assessed Value
Residential/ agricultural	$ 226,898,330
Commercial/ industrial	32,414,010
Public Utility	3,950,560
	$ 263,262,900

B. Income Taxes

The City levies municipal income tax of 2.5% on all salaries, wages, commissions and other compensation, and net profits earned within the City, as well as incomes of residents earned outside of the City. In the latter case, the City does allow a 1.0% credit for income tax paid to another municipality.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. The Regional Income Tax Agency collects municipal income taxes for the City. Income tax revenue is credited to the General Fund (95%) and the Capital Improvements Fund (5%).

C. Intergovernmental Receivables

A summary of intergovernmental receivables follows:

Revenue Description	Amount
Local Government	$ 194,306
Homestead and Rollback	200,596
Gasoline and Auto Registration tax	251,359
Permissive tax	5,602
Grants	26,018
Miscellaneous	5,811
Total	$ 683,692

Note 8: Capital Assets

Capital asset activity for government the year ended December 31, 2019, was as follows:

	Balance 12/30/2018	Additions	Deletions	Balance 12/31/2019
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	$ 774,054	$ 84,315	$ -	$ 858,369
Construction in Progress	746,587	2,587,393	(788,626)	2,545,354
Total Capital Assets Not Being Depreciated	1,520,641	2,671,708	(788,626)	3,403,723
Capital Assets Being Depreciated;				
Buildings & Improvements	2,274,515	1,063,811	-	3,338,326
Vehicles	4,127,108	552,323	-	4,679,431
Equipment	975,707	98,973	-	1,074,680
Subtotal	7,377,330	1,715,107	-	9,092,437
Infrastructure:				
Pavement	10,449,013	-	-	10,449,013
Traffic Lights	44,588	-	-	44,588
Storm Sewers	230,271	-	-	230,271
Sanitary Sewers	1,235,057	-	-	1,235,057
Total Infrastructure	11,958,929	-	-	11,958,929
Total Capital Assets Being Depreciated	19,336,259	1,715,107	-	21,051,366
Less: Accumulated Depreciation:				
Building and Improvements	(1,367,478)	(53,596)	-	(1,421,074)
Vehicles	(1,683,975)	(256,145)	-	(1,940,120)
Equipment	(824,502)	(50,170)	-	(874,672)
Subtotal	(3,875,955)	(359,911)	-	(4,235,866)
Infrastructure				
Pavement	(4,309,289)	(508,034)	-	(4,817,323)
Traffic Lights	(3,321)	(2,229)	-	(5,550)
Storm Sewers	(75,295)	(2,879)	-	(78,174)
Sanitary Sewers	(237,100)	(20,585)	-	(257,685)
Subtotal	(4,625,005)	(533,727)	-	(5,158,732)
Total Accumulated Depreciation	(8,500,960)	(893,638) *	-	(9,394,598)
Total Capital Assets Being Depreciated, Net	10,835,299	821,469	-	11,656,768
Governmental Activities Capital Assets, Net	$ 12,355,940	$ 3,493,177	$ (788,626)	$ 15,060,491

*Depreciation expense was charged to governmental functions as follows:

Security of Persons and Property	$ 119,929
Leisure Time Activities	37,224
Community Environment	9,023
Basic Utility Services	103,112
Transportation	594,137
General Government	30,213
Total Depreciation Expense	$ 893,638

Note 9: Defined Benefit Pension Plans

A. Net Pension Liability/Asset

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

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

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.

Note 9: Defined Benefit Pension Plans (continued)

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

Plan Description - City employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS 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.

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):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 62 with 60 months of service credit or Age 57 with 25 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.

Note 9: Defined Benefit Pension Plans (continued)

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

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

When a traditional plan benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

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Note 9: Defined Benefit Pension Plans (continued)

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

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

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2019 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-Employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within combined plan are not used to fund the defined benefit retirement allowance

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contributions was $426,036 for fiscal year ending December 31, 2019. Of this amount, $30,352 is reported as an intergovernmental payable.

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

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

Note 9: Defined Benefit Pension Plans (continued)

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 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 OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

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

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

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2019 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Note 9: Defined Benefit Pension Plans (continued)

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $1,131,790 for 2019. Of this amount, $98,634 is reported as an intergovernmental payable.

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

The net pension liability/asset for OPERS was measured as of December 31, 2018, and the total pension liability/asset used to calculate the net pension liability/asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability/asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	OP&F Police	OP&F Fire	Total
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.018804%	0.01225%	0.1064010%	0.1067000%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.018615%	0.01207%	0.1007267%	0.1204908%	
Change in Proportionate Share	-0.000189%	-0.00018%	-0.005674%	0.013791%	
Proportionate Share of the Net Pension Liability/(Asset)	$ 5,098,271	$ (13,500)	$ 8,221,960	$ 9,835,234	$ 23,141,965
Pension Expense	$ 1,091,734	$ 4,463	$ 1,074,176	$ 1,288,351	$ 3,458,724

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Note 9: Defined Benefit Pension Plans (continued)

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

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

	OPERS	OP&F Police	OP&F Fire	Total
Deferred Outflows of Resources				
Net difference between projected and actual earnings on pension plan investments	$694,885	$1,012,939	$1,211,693	$2,919,517
Differences between expected and actual experience	236	337,808	404,091	742,135
Changes of assumptions	446,831	217,976	260,745	925,552
Changes in proportion and differences between City contributions and proportionate share of contributions	3,630	228,765	202,214	434,609
City contributions subsequent to the measurement date	426,036	506,823	624,967	1,557,826
Total Deferred Outflows of Resources	$1,571,618	$2,304,311	$2,703,710	$6,579,639
Deferred Inflows of Resources				
Differences between expected and actual experience	$72,455	$7,677	$9,183	$89,315
Changes in proportion and differences between City contributions and proportionate share of contributions	76,915	358,997	212,919	648,831
Total Deferred Inflows of Resources	$149,370	$366,674	$222,102	$738,146

$1,557,826 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OP&F Police	OP&F Fire	Total
Year Ending December 31:				
2020	$398,049	$463,749	$561,432	$1,423,230
2021	212,046	242,250	296,470	750,766
2022	64,054	265,970	364,174	694,198
2023	322,592	439,960	594,916	1,357,468
2024	(422)	18,885	39,649	58,112
Thereafter	(107)	-	-	(107)
Total	$996,212	$1,430,814	$1,856,641	$4,283,667

Note 9: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below:

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 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA	Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
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 previously described tables.

Note 9: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

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.

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, 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 investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was at a loss of 2.94 percent for 2018.

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 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other investments	18.00	5.50
Total	100.00 %	5.95 %

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

Note 9: Defined Benefit Pension Plans (continued)

E. Actuarial Assumptions – OPERS (continued)

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:

City's proportionate share of the net pension liability/(asset)	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Traditional Pension Plan	$ 7,531,629	$ 5,098,271	$ 3,076,129
Combined Plan	$ (4,467)	$ (13,500)	$ (20,041)

F. Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

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

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
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

Note 9: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (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 Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Mortality rates for active members were based on the RP2014 Total employee and Healthy Annuitant Mortality Tables rolled back to 2006, and projected with the Conduent Modified 2016 Improvement Scale.

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

The most recent experience study was completed January 1, 2017.

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.

Note 9: Defined Benefit Pension Plans (continued)

F. Actuarial Assumptions – OP&F (continued)

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

Asset Class	Target Allocation	10 year Expected Real Rate of Return **	30 year Expected Real Rate of Return **
Cash and Cash Equivalents	0.00 %	1.00 %	0.80 %
Domestic Equity	16.00	5.60	5.50
Non-US Equity	16.00	6.10	5.90
Core Fixed Income *	23.00	2.20	2.60
U.S. Inflation Linked Bonds *	17.00	1.30	2.30
High Yield Fixed Income	7.00	4.20	4.80
Real Estate	12.00	5.70	6.10
Private Markets	8.00	8.40	8.40
Master Limited Partnerships	8.00	6.70	6.40
Private Credit	5.00	8.30	7.50
Real Assets	8.00	7.00	7.00
Total	120.00 %		

Note: Assumptions are geometric
* levered 2x
** numbers are net of expected inflation

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

Discount Rate The total pension liability was calculated using the discount rate of 8.00 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	$ 23,734,937	$ 18,057,194	$ 13,312,620

Note 10: Postemployment Benefits

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

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

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

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. During 2019, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 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.

Note 10: Postemployment Benefits

A. Plan Description – Ohio Public Employees Retirement System (OPERS) (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 2018. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $1,360 for 2019.

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

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

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

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

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

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

Note 10: Postemployment Benefits (continued)

B. Plan Description – Ohio Police & Fire Pension Fund (OP&F) (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 2019, 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.

On January 1, 2019, OP&F changed its retiree health care model and the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses.

The City's contractually required contribution to OP&F was $ 26,634 for 2019. Of this amount, $2,314 is reported as intergovernmental payable at December 31, 2019.

C. 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, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

Note 10: Postemployment Benefits (continued)

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

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

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability Prior Measurement Date	0.018160%	0.213101%	
Proportion of the Net OPEB Liability Current Measurement Date	0.017876%	0.221218%	
Change in Proportionate Share	-0.000284%	0.008117%	
Proportionate Share of the Net OPEB Liability	$ 2,330,608	$ 2,014,525	$ 4,345,133
OPEB Expense	$ 172,578	$ (9,900,776)	$ (9,728,198)

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

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 789	$ -	$ 789
Changes of assumptions	75,142	1,044,233	1,119,375
Net difference between projected and actual earnings on pension plan investments	106,845	68,194	175,039
Changes in proportion and differences between City contributions and proportionate share of contributions	-	362,882	362,882
City contributions subsequent to the measurement date	1,360	26,634	27,994
Total Deferred Outflows of Resources	$ 184,136	$ 1,501,943	$ 1,686,079
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 6,324	$ 53,974	$ 60,298
Changes of assumptions	-	557,716	557,716
Changes in proportion and differences between City contributions and proportionate share of contributions	53,893	234,902	288,795
Total Deferred Inflows of Resources	$ 60,217	$ 846,592	$ 906,809

The $27,994 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020.

Note 10: Postemployment Benefits (continued)

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

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

	OPERS	OP&F	Total
Year Ending December 31:			
2020	$40,724	$109,083	$149,807
2021	10,644	109,084	119,728
2022	17,367	109,084	126,451
2023	53,824	129,708	183,532
2024	0	97,191	97,191
Thereafter	0	75,568	75,568
Total	$122,559	$629,718	$752,277

D. Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.71 percent
Health Care Cost Trend Rate	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

Note 10: Postemployment Benefits (continued)

D. Actuarial Assumptions – OPERS (continued)

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

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 5.60 percent for 2018.

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

Note 10: Postemployment Benefits (continued)

D. Actuarial Assumptions – OPERS (continued)

The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 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 (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	$2,981,717	$2,230,608	$1,812,805

Note 10: Postemployment Benefits (continued)

D. Actuarial Assumptions – OPERS (continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. 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 2019 is 10.00 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$2,240,220	$2,330,608	$2,434,711

E. Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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.

Note 10: Postemployment Benefits (continued)

E. Actuarial Assumptions – OP&F (continued)

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

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	4.66 percent
Prior measurement date	3.24 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

Note 10: Postemployment Benefits (continued)

E. Actuarial Assumptions – OP&F (continued)

The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

Asset Class	Target Allocation	10 year Expected Real Rate of Return **	30 year Expected Real Rate of Return **
Cash and Cash Equivalents	0.00 %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Core Fixed Income *	23.00	2.20	2.60
U.S. Inflation Linked Bonds *	17.00	1.30	2.30
High Yield Fixed Income	7.00	4.20	4.80
Real Estate	12.00	5.70	6.10
Private Markets	8.00	8.40	8.40
Master Limited Partnerships	8.00	6.70	6.40
Private Credit	5.00	8.30	7.50
Real Assets	8.00	7.00	7.00
Total	120.00 %		

Note: Assumptions are geometric
* levered 2x
** numbers are net of expected inflation

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

Discount Rate The total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Note 10: Postemployment Benefits (continued)

E. Actuarial Assumptions – OP&F (continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 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 (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	$2,454,241	$2,014,525	$1,645,424

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate because it is based on a medical benefit that is a flat dollar amount.

Changes between Measurement Date and Report Date

Beginning January 1, 2019 OP&F is changing its retiree health care model and the current self-insured health care plan will no longer be offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend-based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years.

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Note 11: Long-term Obligations

Bonded debt and other long-term obligations payable activity for the year ended December 31, 2019 was as follows:

	Balance 12/31/2018	Additions	Retired	Balance 12/31/2019	Due Within One Year
General Obligation Bonds					
2.40% 2013 Various Purpose Bonds	$ 1,080,000	$ -	$ 260,000	$ 820,000	$ 270,000
2.42% 2015 Park Improvement Bonds	1,360,000	-	110,000	1,250,000	110,000
Total General Obligation Bonds	2,440,000	-	370,000	2,070,000	380,000
OPWC Loans					
0.00% Issue II Loan	62,540	-	8,934	53,606	8,934
0.00% Meadowbrook Sanitary Sewer	102,825	-	6,855	95,970	6,855
0.00% Meadowbrook Rehabilitation Phase II	275,385	-	9,496	265,889	9,496
Total OPWC Loans	440,750	-	25,285	415,465	25,285
Net Pension Liability					
OPERS	2,949,984	2,148,287	-	5,098,271	-
OP&F	13,078,971	4,978,223	-	18,057,194	-
Total Net Pension Liability	16,028,955	7,126,510	-	23,155,465	-
Net OPEB Liability					
OPERS	1,961,183	369,425	-	2,330,608	-
OP&F	12,074,005	-	10,059,480	2,014,525	-
Total Net OPEB Liability	14,035,188	369,425	10,059,480	4,345,133	-
Other Obligations					
SIB Loan	82,378	-	82,378	-	-
Capital leases payable	-	1,306,423	-	1,306,423	106,846
Accrued Compensated Absences	660,685	470,780	397,830	733,635	426,534
Total Other Obligations	743,063	1,777,203	480,208	2,040,058	533,380
Total Long-Term Liabilities	$ 33,687,956	$ 9,273,138	$ 10,934,973	$ 32,026,121	$ 938,665

Principal and interest requirement to retire the long-term debt obligations outstanding at December 31, 2019 were as follows:

	Governmental Activities				
	General Obligation Bonds		OPWC Loans	Total	
Year	Principal	Interest	Principal	Principal	Interest
2020	$ 380,000	$ 49,930	$ 25,285	$ 405,285	$ 49,930
2021	385,000	$ 40,788	50,571	435,571	40,788
2022	400,000	31,525	50,570	450,570	31,525
2023	120,000	21,902	82,767	202,767	21,902
2024	125,000	18,996	25,847	150,847	18,996
2025-2029	660,000	48,764	94,960	754,960	48,764
2030-2033	-	-	85,465	85,465	-
Totals	$ 2,070,000	$ 211,905	$ 415,465	$ 2,485,465	$ 211,905

Note 11: Long-term Obligations (continued)

General obligation bonds are direct obligations of the City and will be paid from the General Bond Retirement Fund using property tax revenues.

On March 20, 2013, the City issued Various Purpose Bonds, Series 2013 of $2,280,000 with an interest rate of 2.40% to retire 2012 General Obligation Bond Anticipation Notes.

On August 27, 2015, the City issued Park Improvement Bonds, Series 2015 of $1,800,000 with an interest rate of 2.42% percent for the purpose of creating a new public park.

The Ohio Public Works Commission (OPWC) intercommunity sewer project will be paid from the Sewer Replacement "A" Fund. This loan was issued in 2001 for $330,270 and an additional $27,105 in 2002. The OPWC Meadowbrook Boulevard loans will be paid from the Issue II fund. The first loan was issued in 2007 for $274,200 and Phase II loan was issued in 2007 and 2008 for $379,841 with the first payment in the amount of $28,488 started in 2014.

State Infrastructure Bank (SIB) Loan payments will be paid from the debt service fund. The loan was issued in 2010 from the Ohio Department of Transportation for the purpose of rebuilding University Parkway. The interest rate is 3%. This loan was paid in full as of December 31, 2019.

Compensated absences will be paid by the fund from which the employee's salary is paid. There is no repayment schedule for net pension or net OPEB liabilities; however, employer pension and OPEB contributions are made from the General Fund. See Notes 9 and 10 for further information on the City's pension and OPEB plans. See Note 20 for further information on the City's capital lease.

Note 12: Risk Management

A. Property and Liability

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 October 1989, the City joined together with neighboring cities to form the Northern Ohio Risk Management Association (NORMA), a not-for-profit corporation, for the purpose of obtaining property, liability and vehicle insurance and providing for a formalized, jointly administered self-insurance fund. The City pays an annual premium to NORMA for its insurance coverage. This coverage is paid from the General Fund.

The agreement of formation of NORMA provides that NORMA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of the limits described in the agreement. NORMA is a separate and independent entity governed by its own set of by-laws and constitution. All assets and liabilities are the responsibility of NORMA. The program is operated as a full indemnity program with no financial liability (other than monthly premiums) or risk to the City. The City is not liable nor will it receive a cash balance of past claims upon departure from the pool. There has not been a significant reduction in coverage from the prior year and claims have not exceeded coverage provided by NORMA in any of the last three years.

Note 12: Risk Management (continued)

B. Workers' Compensation

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

C. Employee Health Benefits

The City provides employee medical, prescription drug and dental benefits through the purchase of fully-insured commercial policies. The City's liability for employee health benefits is limited to the cost of policy premiums.

Note 13: Compensated Absences

Full-time employees are eligible to earn vacation leave. Vacation leave is earned on a calendar year basis at rates which vary depending upon length of service and bargaining unit. Vacation leave is non-cumulative and expires at the end of the calendar year, unless usage of the vacation was prevented due to extraordinary circumstances and the carryover of vacation is approved by the Mayor. Upon separation from the City, employees are paid for earned, unused vacation leave if the employee has at least one year of continuous service with the City.

Collective bargaining unit members are eligible to earn compensatory time in lieu of overtime compensation; non-bargaining unit employees are ineligible to earn compensatory time. The maximum compensatory time accrual before mandatory cash out of compensatory time varies depending upon the collective bargaining unit contract.

Full-time and part-time employees are eligible to earn sick leave; temporary and seasonal employees are ineligible to earn sick leave. Sick leave is earned at a rate of 4.6 hours for every 80 hours worked. There is no maximum sick leave accrual.

For non-bargaining employees, upon retirement from the City or death while an employee of the City, employees are paid for accumulated, unused sick leave at a rate of twenty-five percent of the first 2,000 hours and forty percent for the remaining hours. For non-bargaining employees, upon voluntary separation from the City, employees with ten years of service with the City are eligible to cash out accumulated, unused sick leave at a rate of one percent for every year of service with the City. For non-bargaining employees, upon involuntary separation from the City, there is no payment for accumulated, unused sick leave.

For collective bargaining unit members, upon retirement from the City after a minimum of ten years of service with the City, employees are paid for accumulated, unused sick leave at a rate of twenty-five percent of the first 2,000 hours and forty percent for the remaining hours. For collective bargaining unit members, upon separation from the City, employees with ten years of service with the City are eligible to cash out accumulated, unused sick leave at a rate of one percent for every year of service with the City.

Note 14: Contingencies/Pending Litigation

A. Grants

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

B. Litigation

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

Note 15: Interfund Activity

A. Interfund Transfers

Interfund transfers for the year ended December 31, 2019, consisted of the following:

Fund	Transfers In	Transfers Out
General	$ -	$ 400,000
Capital Improvement Fund	400,000	-
Total	$ 400,000	$ 400,000

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them; distribute unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed. The City had no transfers that either do not occur on a regular basis or were inconsistent with the purpose of the fund making the transfer.

Note 15: Interfund Activity (continued)

B. Interfund Balances

Interfund balances for the year ended December 31, 2019, consisted of the following:

	Interfund Payable	
Interfund Receivable	Other Governmental Funds	Totals
General fund	$ 93,498	$ 93,498

The interfund receivables and payables listed above result from a difference in the timing of when expenses are recognized in accordance with generally accepted accounting principles and when the related interfund subsidies are budgeted for payment on a cash basis.

Note 16: Shared Risk Pool

The Northern Ohio Risk Management Association (NORMA) is a shared risk pool comprised of the Cities of Beachwood, Bedford Heights, Eastlake, Highland Heights, Hudson, Maple Heights, Mayfield Heights, Richmond Heights, Solon, South Euclid, University Heights and the Village of Chagrin Falls. NORMA was formed to enable its members to obtain property and liability insurance, including vehicles, and provide for a formalized, jointly administered self-insurance fund. The members formed a not-for-profit corporation known as NORMA Self-Insurance Pool, Inc. to administer the pool. NORMA is governed by a board of trustees that consists of the Mayor from each of the participating members.

Each entity must remain a member for at least three years from the commencement date of October 1, 1987, with the exception of the Cities of Eastlake and Solon whose commencement date is October 1, 1989, the City of Maple Heights, whose commencement date is October 1, 1993, the City of University Heights, whose commencement date is October 1, 2008, and the City of Beachwood, whose commencement date is November 30, 2017. After the initial three years, each City may extend its term in three-year increments. The City is currently committed as a member through September 30, 2020.

Each member provides operating resources to NORMA based on actuarially determined rates. In the event of losses, the first $2,500 of any valid claim will be paid by the member. The next payment, a maximum of $100,000 per occurrence, will come from the self-insurance pool with any excess paid from the specific stop-loss coverage carried by the pool. The self-insurance pool will pay up to $800,000 per policy year before the aggregate stop-loss coverage takes over. If the aggregate claims paid by the pool exceed the available resources, the pool may require the members to make additional supplementary payments up to a maximum of the regular annual payment.

In 2019, the City of University Heights paid $96,412 in premiums from the General Fund, which represents 6.11 percent of the total premiums paid by all members. Financial information can be obtained by contacting Jeffrey Knoblauch, Board President, care of the City of Hudson Finance Department, 115 Executive Parkway, Suite 400, Hudson, OH 44236.

Note 17: Accountability

The Special Revenue ODNR Grant, Special Revenue CDBG, and Special Revenue Fire Pension fund had fund deficits of $27,043, $22,018, and $20,460, respectively, at December 31, 2019. The deficits in these funds are due to accrued liabilities. The General Fund provides transfers when cash is required, not when accruals occur.

Note 18: Construction Commitments

The City has projects in process for the Warrensville Center Mid-Block improvements and the improvements and resurfacing of Washington Boulevard and Groveland Road. As of December 31, 2019, the City still has $267,609 and $584,418 remaining to be paid, respectively.

Note 19: Jointly Governed Organizations

The City is a member of The Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 235 communities who have been authorized by ballot to purchase electricity and/or natural gas on behalf of their citizens; the City participates with both the electricity and natural gas programs. The intent of NOPEC is to provide electricity and natural gas at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives on the governing board from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City did not contribute to NOPEC during 2019. Financial information can be obtained by contacting Ronald McVoy, Board Chairman, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

Note 20: Capital Lease

In 2019, the City entered into a new lease agreement for the acquisition of a ladder truck that was delivered in 2020. The following is a schedule of the future long-term minimum lease payments required under the capital lease and present value of the minimum lease payments as of December 31, 2019:

Year	Payments
2020	$ 158,756
2021	158,756
2022	158,756
2023	158,756
2024	158,756
Thereafter	793,780
	1,587,560
Less: Amount Representing Interest	(281,137)
Present Value of Minimum Lease Payment	$ 1,306,423

Note 21: Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Required Supplementary Information

City of University Heights, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net Pension Liability
Ohio Public Employee Retirement System
For the Six Years (1)

Traditional Plan	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.018615%	0.018804%	0.019819%	0.019172%	0.018785%	0.018785%
City's Proportionate Share of the Net Pension Liability	$5,098,271	$2,949,984	$4,500,558	$3,320,832	$2,265,681	$2,214,507
City's Covered Payroll	$2,508,603	$2,484,954	$2,561,983	$2,386,092	$2,310,675	$2,140,177
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	203.23%	118.71%	175.67%	139.17%	98.05%	103.47%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
Combined Plan	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
City's Proportion of the Net Pension (Asset)	0.012073%	0.012249%	0.015336%	0.012960%	0.008464%	0.008464%
City's Proportionate Share of the Net Pension (Asset)	($13,500)	$16,674	$8,536	$6,307	$3,259	$888
City's Covered Payroll	$57,302	$50,169	$59,692	$47,158	$31,175	$28,877
City's Proportionate Share of the Net Pension (Asset) as a Percentage of its Covered Payroll	23.56%	33.24%	14.30%	13.37%	10.45%	3.08%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	126.64%	137.28%	116.55%	116.90%	114.83%	104.33%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years will be displayed as it becomes available.

Amounts presented as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information

City of University Heights, Ohio

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

	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.221218%	0.213101%	0.219750%	0.229063%	0.228949%	0.228949%
City's Proportionate Share of the Net Pension Liability	$18,057,194	$13,078,971	$13,918,703	$14,735,764	$11,860,503	$11,150,525
City's Covered Payroll	$4,949,608	$4,686,371	$4,587,359	$4,674,379	$4,553,656	$4,458,467
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	364.82%	279.09%	303.41%	315.25%	260.46%	250.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%	71.71%	73.00%

(1) Information prior to 2014 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the City's measurement date which is the prior year end.

See accompanying notes to the required supplementary information

City of University Heights, Ohio

Required Supplementary Information
Schedule of the City Pension Contributions
Ohio Public Employee Retirement System
For the Last Seven Years (1)

	2019	2018	2017	2016	2015	2014	2013
Contractually Required Contributions							
Traditional Plan	406,521	351,204	323,044	307,438	286,331	277,281	278,223
Combined Plan	19,515	8,022	6,522	7,163	5,659	3,741	3,754
Total Required Contributions	$426,036	$359,226	$329,566	$314,601	$291,990	$281,022	$281,977
Contributions in Relation to the Contractually Required Contribution	($426,036)	($359,226)	($329,566)	($314,601)	($291,990)	($281,022)	($281,977)
Contribution Deficiency / (Excess)	$0	$0	$0	$0	$0	$0	$0
City's Covered Payroll							
Traditional Plan	$2,903,721	$2,508,603	$2,484,954	$2,561,983	$2,386,092	$2,310,675	$2,140,177
Combined Plan	$139,393	$57,302	$50,169	$59,692	$47,158	$31,175	$28,877
Pension Contributions as a Percentage of Covered Payroll							
Traditional Plan	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
Combined Plan	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

City of University Heights, Ohio

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contributions	$1,131,790	$1,047,832	$985,091	$967,799	$986,355	$963,651	$799,905	$689,634	$729,037	$713,360
Contributions in Relation to the Contractually Required Contribution	($1,131,790)	($1,047,832)	($985,091)	($967,799)	($986,355)	($963,651)	($799,905)	($689,634)	($729,037)	($713,360)
Contribution Deficiency / (Excess)	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
City's Covered Payroll	$5,326,923	$4,950,200	$4,686,371	$4,587,359	$4,674,379	$4,553,656	$4,458,467	$4,605,668	$4,871,906	$4,775,201
Contributions as a Percentage of Covered-Employee Payroll	21.25%	21.17%	21.02%	21.10%	21.10%	21.16%	17.94%	14.97%	14.96%	14.94%

See accompanying notes to the required supplementary information

City of University Heights, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Ohio Public Employee Retirement System
For the Last Three Years (1)

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.017876%	0.018160%	0.019115%
City's Proportionate Share of the Net OPEB Liability	$ 2,330,608	$ 1,961,183	$ 1,930,730
City's Covered Payroll	$ 2,592,871	$ 2,557,871	$ 2,641,686
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.89%	76.67%	73.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the City's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information

City of University Heights, Ohio

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

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.221218%	0.213101%	0.219750%
City's Proportionate Share of the Net OPEB Liability	$ 2,014,525	$ 12,074,005	$ 10,431,038
City's Covered Payroll	$ 4,950,200	$ 4,686,371	$ 4,587,359
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	40.70%	257.64%	227.39%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	15.96%

(1) Information prior to 2017 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

Amounts presented as of the City's measurement date, which is the prior calendar year end.

See accompanying notes to the required supplementary information

City of University Heights, Ohio

Required Supplementary Information
Schedule of the City OPEB Contributions
Ohio Public Employee Retirement System
For the Last Four Years (1)

	2019	2018	2017	2016
Contractually Required Contribution	$ 1,360	$ 1,077	$ 26,261	$ 56,698
Contributions in Relation to the Contractually Required Contribution	(1,360)	(1,077)	(26,261)	(56,698)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
City Covered Payroll	$ 3,077,115	$ 2,592,871	$ 2,557,871	$ 2,641,686
Contributions as a Percentage of Covered Payroll	0.04%	0.04%	1.03%	2.15%

(1) Information prior to 2016 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

City of University Heights, Ohio

Required Supplementary Information
Schedule of the City OPEB Contributions
Ohio Police and Fire Pension Fund
For the Last Ten Years

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually Required Contribution	$ 26,634	$ 24,751	$ 23,432	$ 22,937	$ 23,372	$ 22,768	$ 161,397	$ 310,883	$ 347,281	$ 322,326
Contributions in Relation to the Contractually Required Contribution	(26,634)	(24,751)	(23,432)	(22,937)	(23,372)	(22,768)	(161,397)	(310,883)	(347,281)	(322,326)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
City Covered Payroll	$ 5,326,923	$ 4,950,200	$ 4,686,371	$ 4,587,359	$ 4,674,379	$ 4,553,656	$ 4,458,467	$ 4,605,668	$ 4,871,906	$ 4,775,201
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	3.62%	6.75%	6.75%	6.75%

See accompanying notes to the required supplementary information

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Net Pension Liability

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016 and 2018. For 2017, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 8.00% to 7.50%, (b) the expected long-term average wage inflation rate was reduced from 3.75% to 3.25%, (c) the expected long-term average price inflation rate was reduced from 3.00% to 2.50%, (d) Rates of withdrawal, retirement and disability were updated to reflect recent experience, (e) mortality rates were updated to the RP-2014 Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2015 (f) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2015 for males and 2010 for females (g) Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the above described tables. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018-2019.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Net Pension Liability

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

Changes in assumptions: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2017. For 2018, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the investment rate of return was reduced from 8.25 percent to 8.00 percent (b) the projected salary increases was reduced from 4.25% to 3.75% (c) the payroll increases was reduced from 3.75% to 3.25% (d) the inflation assumptions was reduced from 3.25% to 2.75% (e) the cost of living adjustments was reduced from 2.60% to 2.20% (f) rates of withdrawal, disability and service retirement were updated to reflect recent experience (g) mortality rates were updated to the RP-2014 Total Employee and Health Annuitant Mortality Table, adjusted for mortality improvement back to the observant period base year of 2006 and then established the base year as 2016 (h) mortality rates used in evaluating disability allowances were updated to the RP-2014 Disabled Mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and a base year of 2016. For 2019; There have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.

Net OPEB Liability

Changes in benefit terms: There were no changes in benefit terms from the amounts reported for 2018. For 2019, see below regarding changes to stipend-based model.

Changes in assumptions: For 2018, the single discount rate changed from 3.79 percent to 3.24 percent. For 2019, the changes of assumptions were: (a) beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years (b) beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%.

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KEITH FABER

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

City of University Heights
Cuyahoga County
2300 Warrensville Center Road
University Heights, Ohio 44118

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of University Heights, Cuyahoga County, Ohio (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 3, 2021, wherein we noted the City restated their net position due to a prior period adjustment.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Keith Faber
Auditor of State
Columbus, Ohio

May 3, 2021

UNIVERSITY
HEIGHTS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

DECEMBER 31, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	**Material Weakness- Cash Reconciliation -** The City identified a posted difference of $186,546 during the reconciliation process, requiring an adjustment of $186,546 to the City's books for the unreconciled difference. Upon completion of the cash reconciliation procedure, an additional $49,843 was adjusted on the accrual basis financial statements as a reduction to City expenses.	Corrective Action Taken and Finding is Fully Corrected	Finding No Longer Valid.
2018-002	**Significant Deficiency – Capital Assets -** The City has changed its procedures for the recognition of capital assets in its financial statements from the prior year, but the new Capital Asset Policy has not been formalized by Council approval. This caused a restatement to the financial statements.	Corrective Action Taken and Finding is being Corrected	Partially corrected, remaining uncorrected item included in management letter.

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF UNIVERSITY HEIGHTS

CUYAHOGA 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 5/11/2021