City of Garfield Heights, Ohio

Basic Financial Statements
December 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER

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City Council
City of Garfield Heights
5407 Turney Road
Garfield Heights, Ohio 44125

We have reviewed the *Independent Auditor's Report* of the City of Garfield Heights, Cuyahoga County, prepared by Ciuni & Panichi, Inc., for the audit period January 1, 2018 through December 31, 2018. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber

Keith Faber
Auditor of State
Columbus, Ohio

February 27, 2020

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City of Garfield Heights, Ohio

For The Year Ended December 31, 2018

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Independent Auditor's Report

Members of the City Council
City of Garfield Heights, Ohio

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 Garfield Heights, Ohio (the "City"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Members of the City Council
City of Garfield Heights, Ohio

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Garfield Heights, Ohio, as of December 31, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter
Implementation of New Accounting Standard

As described in Note 22 to the basic financial statements, in 2018, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and as a result restated their December 31, 2017 net position of the governmental activities. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Ciuni & Panichi, Inc.

Cleveland, Ohio
January 30, 2020

This discussion and analysis of the City of Garfield Heights' (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- During 2018, revenues exceeded expenses due to management carefully monitoring costs. Net position increased primarily due to an increase in capital assets and continued pay down of outstanding debt.

- In 2018, the City issued a $2.2 million dollar short-term income tax revenue note to refinance the original $2.4 million dollar short-term income tax revenue note.

- During 2018, the City had various ongoing construction projects. The projects consisted of Granger/Transportation intersection improvement phase 2, multi-street phase 2 and 3, East 135th Street storm, sanitary and street projects, Hathaway Road, Midwest Neighborhood phase 1 and 2, Granger Hill/Rockside Road and various projects within the 2018 paving program.

Using this Annual Financial Report

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a long-term view of those activities. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of Garfield Heights as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when the cash is received or paid.

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

In the Statement of Net Position and the Statement of Activities, all of the City's activities are reported as Governmental Activities, which include all of the City's services including police, fire, administration and all other departments. The City of Garfield Heights does not operate any business-type activities and has no component units.

Reporting the City of Garfield Heights' Most Significant Funds

Fund Financial Statements

The analysis of the City's major funds begins on page 11. Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Garfield Heights, the City's major funds are the general fund, storm and sewer, and street improvement capital projects funds. All other funds of the City are grouped together in the category of other governmental funds.

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

Proprietary Funds The City maintains one proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City's internal service fund accounts for revenues used to provide for medical claims of City employees. The proprietary fund uses the accrual basis of accounting.

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 of those funds are not available to support the City of Garfield Heights' own programs.

The City of Garfield Heights as a Whole

Recall that the Statement of Net Position looks at the City as a whole. Table 1 provides a summary of the City's net position for 2018 compared to 2017.

Table 1
Net Position

	Governmental Activities		
	2018	2017	Change
Assets			
Current and Other Assets	$29,648,447	$32,090,664	($2,442,217)
Net Pension Asset	45,678	0	45,678
Capital Assets, Net	52,610,755	39,285,976	13,324,779
Total Assets	82,304,880	71,376,640	10,928,240
Deferred Outflows of Resources			
Deferred Charge on Refunding	154,640	172,479	(17,839)
Pension	4,293,651	6,668,198	(2,374,547)
OPEB	2,620,843	90,338	2,530,505
Total Deferred Outflows of Resources	7,069,134	6,931,015	138,119
Liabilities			
Current and Other Liabilities	5,836,337	6,512,291	675,954
Long-Term Liabilities:			
Due Within One Year	2,229,263	2,333,767	104,504
Due in More than One Year			
Net Pension Liability	25,575,126	28,570,655	2,995,529
OPEB	22,152,390	18,151,894	(4,000,496)
Other Amounts	16,281,118	18,271,393	1,990,275
Total Liabilities	72,074,234	73,840,000	1,765,766
Deferred Inflows of Resources			
Property Taxes	7,854,816	6,613,294	(1,241,522)
Payments in Lieu of Taxes	156,885	152,583	(4,302)
Pension	3,383,084	1,869,088	(1,513,996)
OPEB	518,173	0	(518,173)
Total Deferred Inflows of Resources	11,912,958	8,634,965	(3,277,993)
Net Position			
Net Investment in Capital Assets	41,291,325	26,673,986	14,617,339
Restricted:			
Capital Projects	5,032,745	6,799,453	(1,766,708)
Debt Service	614,598	588,812	25,786
Street Lighting	172,915	179,687	(6,772)
Courts	160,832	115,513	45,319
Other Purposes	1,694,301	1,719,862	(25,561)
Unrestricted (Deficit)	(43,579,894)	(40,244,623)	(3,335,271)
Total Net Position	$5,386,822	($4,167,310)	$9,554,132

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2018 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For 2018, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension/OPEB asset and deferred outflows related to pension and OPEB.

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

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

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service

2. Minus plan assets available to pay these benefits

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

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

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

Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation had the effect of restating net position at December 31, 2017, from $13,894,246 to ($4,167,310) for governmental activities.

By comparing assets and deferred outflows of resources and liabilities and deferred inflows of resources, one can see the position of the City has increased as evidenced by the increase in net position. The increase in assets is primarily due to capital asset additions related to street projects. Liabilities decreased due to decreases in outstanding debt and the net pension liability. Management continues to diligently plan expenses, staying carefully within the City's revenues in an effort to maintain excellent levels of service within the constraints of the budget.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year. Table 2 shows total revenues, expenses and changes in net position for the fiscal years 2018 and 2017.

Table 2
Changes in Net Position

	Governmental Activities		
	2018	2017	Change
Revenues			
Program Revenues			
Charges for Services	$5,904,487	$5,985,096	($80,609)
Operating Grants	1,531,935	1,412,253	119,682
Capital Grants and Assessments	3,053,999	3,021,895	32,104
Total Program Revenues	10,490,421	10,419,244	71,177
General Revenues			
Property Taxes	7,506,321	7,846,091	(339,770)
Municipal Income Taxes	11,956,204	12,028,200	(71,996)
Grants and Entitlements not Restricted to Specific Programs	1,982,505	2,122,240	(139,735)
Payments in Lieu of Taxes	148,883	139,369	9,514
Interest	240,343	95,442	144,901
Franchise Fees	333,413	353,584	(20,171)
Other	2,587,118	1,192,618	1,394,500
Total General Revenues	24,754,787	23,777,544	977,243
Total Revenues	$35,245,208	$34,196,788	$1,048,420

Table 2 (continued)
Changes in Net Position

	Governmental Activities		
	2018	2017	Change
Program Expenses			
General Government	$6,433,191	$7,984,505	$1,551,314
Security of Persons and Property	11,452,626	14,821,964	3,369,338
Public Health Services	493,376	647,521	154,145
Transportation	3,571,240	4,942,594	1,371,354
Community Development	240,465	321,997	81,532
Basic Utility Services	1,924,191	2,449,700	525,509
Leisure Time Activities	877,271	1,131,950	254,679
Interest and Fiscal Charges	698,716	804,436	105,720
Total Program Expenses	25,691,076	33,104,667	7,413,591
Special Item - Capital Donation	0	4,775,079	(4,775,079)
Change in Net Position	9,554,132	5,867,200	3,686,932
Net Position Beginning of Year	(4,167,310)	N/A	N/A
Net Position End of Year	$5,386,822	($4,167,310)	$9,554,132

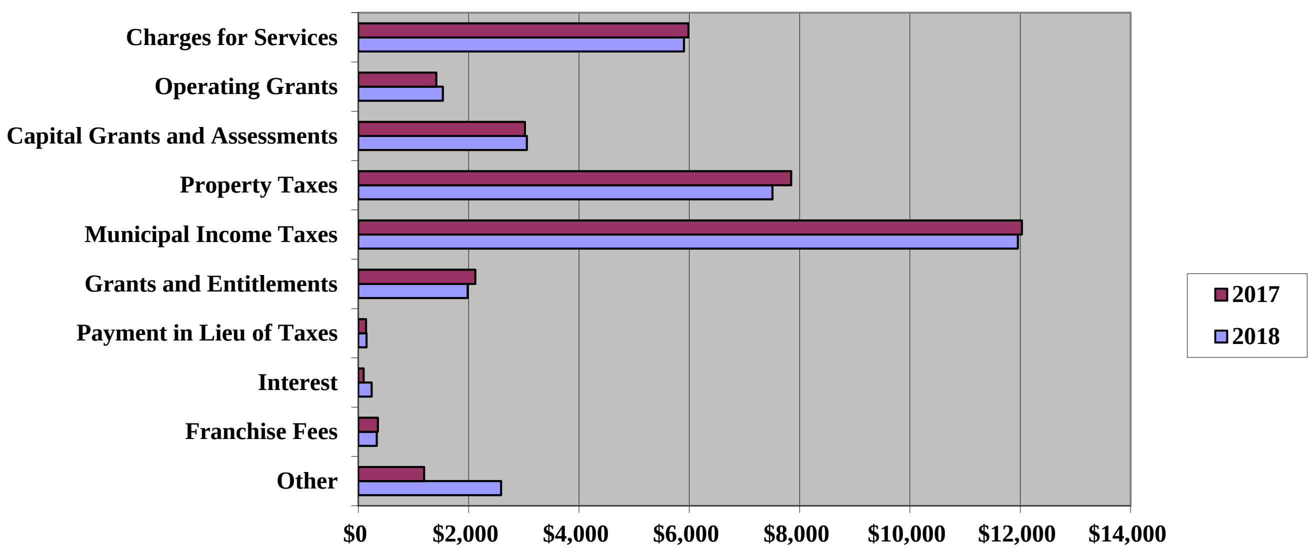
The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of $90,338 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of $2,028,170. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:

	Governmental Activities
Total 2018 program expenses under GASB 75	$25,691,076
OPEB expense under GASB 75	(2,028,170)
2018 contractually required contribution	40,006
Adjusted 2018 program expenses	23,702,912
Total 2017 program expenses under GASB 45	33,104,667
Decrease in program expenses not related to OPEB	($9,401,755)

Governmental Activities

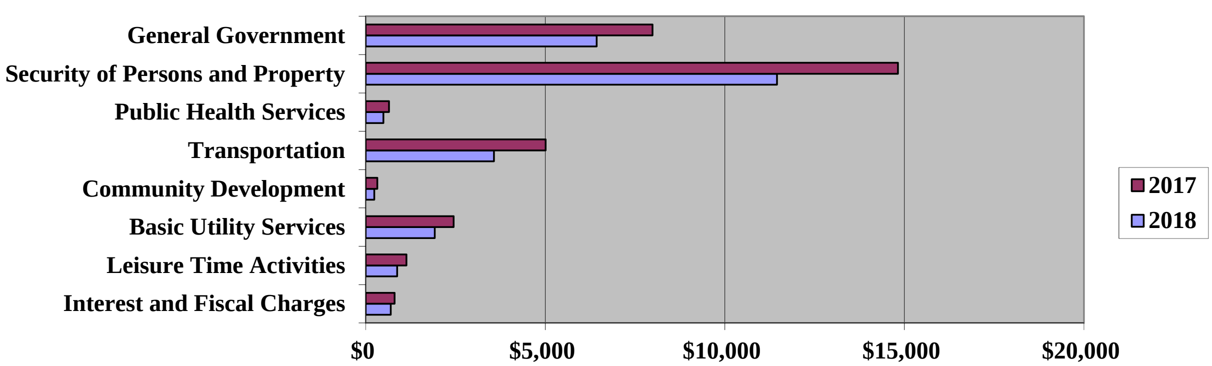
Several revenue sources fund our governmental activities, with income taxes being the largest. Municipal income taxes decreased in 2018. The income tax rate of 2.0 percent, with a 100 percent credit for payments made to other cities, was approved by a vote of our citizens in 1982, which took effect in January of 1983. Property taxes are the second largest source of revenue. Property taxes decreased slightly due a change in estimated collections.

Governmental Revenues (In Thousands)



Major expense activities, under the accrual basis of accounting, include security of persons and property expenses and general government programs. Overall expenses decreased from 2017, as is shown in the chart below. The decrease is primarily due to the capitalization of costs related to road projects. These costs will be amortized over the useful life of the capital assets.

Governmental Expenses (In Thousands)



The City's Funds

Information about the City's major governmental funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting.

The City's major governmental funds are the general fund, storm and sewer, and street improvement capital projects funds. The general fund saw a decrease in fund balance due to transfers to other governmental funds. The storm and sewer capital project fund saw an increase in fund balance due to grant revenue to support capital improvements. The street improvement capital project fund saw a decrease in fund balance due to capital outlay related to an Ohio Department of Transportation street project within the City for 2018.

General Fund Budgeting Highlights

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

During the course of 2018, the City amended its general fund budget. All recommendations for any budget change come from the City Finance Director to the Finance Committee of Council for review before going to the whole Council for ordinance enactment on the change. In 2013, the City amended the form of its budgetary ordinances. In past years, the City would budget to the individual line item thus not allowing for the Finance Director or the Departmental Director to make minor budget adjustments throughout the year. The City's 2014 budgetary ordinance and all amendments thereto, were compiled only to the object level, thus allowing for minor changes to be made within the object level grouping without the necessity of a formal ordinance to approve the change. With the general fund supporting many of the major activities such as the police and fire departments, as well as most legislative and executive activities, the general fund is monitored closely for possible revenue shortfalls or over spending by individual departments.

In 2018, the general fund's final revenue estimate was higher than the original revenue estimate. The general fund's actual revenue was lower than the final revenue estimate due to lower than anticipated collections. Actual expenditures plus other financing uses were lower than the final budget. Through careful monitoring by the administration, the City was able to reduce transfers to other governmental funds on the general fund's balance for 2018 in addition to spending less than expected elsewhere.

Capital Assets and General Long-Term Obligations

Capital Assets

Table 3
Capital Assets at Year End
(Net of Depreciation)

	Governmental Activities	
	2018	2017
Land	$2,729,376	$2,161,798
Construction in Progress	5,242,203	2,086,926
Buildings and Improvements	8,890,810	9,356,323
Vehicles	1,437,558	996,108
Machinery and Equipment	1,421,820	1,185,421
Furniture and Fixtures	249,219	173,552
Infrastructure	32,992,428	23,325,848
Total	$52,963,414	$39,285,976

Total capital assets for the City as of December 31, 2018 increased over 2017 due to capital asset additions outpacing annual depreciation. Capital asset additions for 2018 consisted of additions to land, construction in progress, vehicles, machinery and equipment, furniture and fixtures and infrastructure. The addition to construction relates to the Granger/Transportation intersection improvement phase 2, multi-street phase 2, Hathaway Road, Midwest Neighborhood phase 1, Granger Hill/Rockside Road and various projects within the 2017 paving program. See Note 11 for additional information on the City's capital assets.

Long Term Obligations

The City's overall debt margin at December 31, 2018 was $19,039,469. Table 4 indicates the total outstanding long-term debt of the City.

Table 4
Long-Term Obligations at Year End

	Governmental Activities	
	2018	2017
General Obligation Bonds	$13,358,084	$15,236,259
Net Pension Liability	25,575,126	28,570,655
Net OPEB Liability	22,152,390	18,151,894
Compensated Absences	3,872,620	4,156,227
Worker's Compensation Claims Payable	122,795	120,246
Police and Fire Liability	471,150	490,598
Capital Leases Payable	685,732	601,830
Total	$66,237,897	$67,327,709

The police and fire loan shown in Table 4 above, in the amount of $471,150 identifies the City's accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters in 1967. Actual cash demands, for principal and interest for this obligation, total over $40,000 annually through the year 2035. See Note 15 for detailed long-term debt information.

Current Financial Related Activities

Since the City's release from fiscal emergency in 2013, the City continues to prioritize renovation and repair plans to the City's infrastructure. In 2018, the City began to review and prioritize renovation and repair plans for the City's buildings including, but not limited to, the Fire Stations #1 and #2 and the Justice Center which houses the police department and municipal court. In regards to the economic development side, we continue to negotiate with potential new business owners regarding development within the City and assisting existing business owners with potential expansion within the City's boundaries.

In 2018, the City has continued to work with three major, future, private development opportunities within the I-480 Interchange Development District that the City is closely monitoring and working with the owners and developers to bring to fruition.

The first of these includes the completion of the extension of Transportation Boulevard through to Rockside Road, which is south of the I-480 Interchange. During 2011, the State of Ohio EPA lifted its ban on the continued construction of Transportation Boulevard through to Rockside Road. This project began in the early 2000's and is a brown-field reclamation project. It will involve the construction of a roadway and future development, on private land, over a closed landfill. The State EPA halted the project around 2007 when complications arose with the then newly constructed City View retail shopping center. In the summer of 2011, the State of Ohio EPA issued a permit to the landowner for the continuation of the construction of the roadway on through to Rockside Road. The project began in 2012 and continued thru 2018 with the accumulation of capping material on the site to meet the EPA permit rules for the development to proceed.

During 2013, the City entered an agreement with Bohning Engineering for the development of plans and specifications for the grading and elevation requirements of the capping material. This project was scheduled to begin in the summer of 2014. But due to complications arising with the grading to EPA required capping and elevation specifications and the relocation to other areas of the site of a portion of the refuse this project has had little activity from 2014 to 2018.

To the north of the I-480 Interchange, a Garfield Heights developer, the Craig Realty Group, acquired all rights and ownership to approximately 60-80 acres of virgin land that was once referred to as the Bridgeview Development site in late 2013. The Craig Realty Group's future plans for this site have changed from a retail outlet mall to retail/commercial development. The City has been in discussions with this development group for over 6 years in regards to potential financing options, available to the developer, where the City can be instrumental in aiding the development of this site.

In 2017, the City entered into an agreement with the Developer for the Phase 2 portion of this project for the development in regards to engineering and site development. In 2018, the Phase 2 portion of this project continues with the widening of the Transportation Blvd Bridge over the I-480 interchange; along with new entrances into the site for future development. The City is working in conjunction with the Ohio Department of Transportation and the Craig Realty Group for the widening of the bridge and additional entrances to aid in the traffic flow needed for the development of this area. The project is scheduled to be completed in 2019.

To the south of the I-480 Interchange, the property known as City View, has seen some activity in 2018. This property is currently in receivership. In 2018, a developer obtained the bank note for this property and is working with the bankruptcy court to take ownership of the City View area with plans to revitalize the property.

As is the case with many governmental agencies, dated infrastructure can be a problem. The City has taken a proactive stance in regards to dated infrastructure and plans to continue this effort of improving infrastructure as the need arises. At the beginning of the City's financial troubles, dating to 2008, the City's infrastructure improvements were put on temporary hold. Since 2010, the City through cooperation agreements with Cuyahoga County, the City of Cleveland's Water Department, the Ohio Public Works Commission (OPWC), and neighboring communities, various roadway projects have been completed and future projects are planned.

The City has completed Phases 1, 2 and 3 over the last several years and will begin Phase 4 in the early part of 2019. These multiple phases have allowed the City to repair water lines and resurfacing of approximately 30 streets. We have received funding from the City of Cleveland Water Department for Phase 5 and we are hoping to achieve funding for the resurfacing portion of the project in 2019.

In 2018, the City continued its repaving program of various streets along with street striping and catch basin repairs throughout the City. These types of projects were funded by the City.

Over the last several years, the City has participated in Cuyahoga County's Road Preventative Maintenance Reimbursement Program. Each year the City submits different county roads for maintenance including but not limited to: crack sealing, resurfacing base repair, catch basins, striping, etc. The City has been participating in the program since 2016 and is able to be reimbursed for material costs.

In 2014, the City entered into an agreement with the City of Cleveland's Water Department and the Cuyahoga County Department of Public Services for a water main replacement and road resurfacing on Turney Road, one of the City's main streets. The majority of the water main project was completed in 2016. The resurfacing of Turney Road began in 2017 and was completed in 2018.

In 2017, the City began the Midwest Neighborhood Storm/Sanitary Sewer System Reconstruction Project – Phase 1 in cooperation with the Northeast Ohio Regional Sewer District (NEORSD). The project involved street construction along with the storm/sanitary sewer system along E 102nd Street within the City. This multi-phase project will address a major flooding issue that has existed for several years to the residents in this area. In 2018, the City began Phase 2 of this project on E. 100th St. We had entered into a Member Community Infrastructure Grant Program agreement with the NEORSD to assist with funding of this ongoing project. We also received OPWC monies for the resurfacing portion of Phase 2. In 2018, we were approved for Phase 3 of this project and OPWC monies for the resurfacing. This phase should begin in 2019.

In 2018, the City was awarded by Cuyahoga County funding for the resurfacing of East 131st from Miles Road to Forestdale Drive. The City's portion will be approximately 14 percent of the total project cost. The project is scheduled to begin in 2020.

In 2018, the City continues to be faced with aging buildings and equipment. Unfortunately, due to the fiscal emergency situation that existed, many renovation and repair plans were postponed or completed within a limited fiscal budget. Despite this, the Recreation Ice/Chillers system was replaced and funded by the recreation fund. In addition, due to the age and high maintenance costs for the City's Justice Center, the City is continuing discussions to relocate or renovate the existing building within the next several years.

Contacting the City's Finance Department

This financial report is designed to provide the citizens, taxpayers, creditors and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Barbara Biro, Finance Director, City of Garfield Heights, 5407 Turney Road, Garfield Heights, Ohio 44125, phone: (216) 475-1100.

City of Garfield Heights, Ohio

Statement of Net Position
December 31, 2018

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	$8,126,349
Cash and Cash Equivalents In Segregated Accounts	170,326
Cash and Cash Equivalents With Fiscal Agents	649,526
Accounts Receivable	3,253,194
Intergovernmental Receivable	1,918,802
Prepaid Items	375,690
Materials and Supplies Inventory	150,533
Municipal Income Taxes Receivable	3,318,480
Property Taxes Receivable	11,528,662
Payments in Lieu of Taxes Receivable	156,885
Net Pension Asset	45,678
Nondepreciable Capital Assets	7,971,579
Depreciable Capital Assets, Net	44,639,176
Total Assets	82,304,880
Deferred Outflows of Resources	
Deferred Charge on Refunding	154,640
Pension	4,293,651
OPEB	2,620,843
Total Deferred Outflows of Resources	7,069,134
Liabilities	
Accounts Payable	294,423
Accrued Wages	476,484
Matured Compensated Absences Payable	24,376
Retainage Payable	276,246
Intergovernmental Payable	1,625,779
Notes Payable	2,210,164
Unearned Revenue	645,000
Accrued Interest Payable	87,096
Claims Payable	196,769
Long-Term Liabilities:	
Due Within One Year	2,229,263
Due In More Than One Year	
Net Pension Liability (See Note 19)	25,575,126
Net OPEB Liability (See Note 20)	22,152,390
Other Amounts	16,281,118
Total Liabilities	72,074,234
Deferred Inflows of Resources	
Property Taxes	7,854,816
Payments in Lieu of Taxes	156,885
Pension	3,383,084
OPEB	518,173
Total Deferred Inflows of Resources	11,912,958
Net Position	
Net Investment in Capital Assets	41,291,325
Restricted for:	
Capital Projects	5,032,745
Debt Service	614,598
Street Lighting	172,915
Courts	160,832
Other Purposes	1,694,301
Unrestricted (Deficit)	(43,579,894)
Total Net Position	$5,386,822

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio
Statement of Activities
For the Year Ended December 31, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants	Capital Grants and Assessments	Governmental Activities
Governmental Activities:					
General Government	$6,433,191	$2,383,827	$312,366	$41,643	($3,695,355)
Security of Persons and Property	11,452,626	2,863,409	24,972	0	(8,564,245)
Public Health Services	493,376	86,970	0	0	(406,406)
Transportation	3,571,240	48	1,146,729	0	(2,424,463)
Community Development	240,465	69,294	0	0	(171,171)
Basic Utility Services	1,924,191	402,872	47,868	3,012,356	1,538,905
Leisure Time Activities	877,271	98,067	0	0	(779,204)
Interest and Fiscal Charges	698,716	0	0	0	(698,716)
Totals	$25,691,076	$5,904,487	$1,531,935	$3,053,999	(15,200,655)

General Revenues	
Property Taxes Levied for:	
General Purposes	5,826,852
Street Lighting	299,465
Police Pension	78,103
Fire Pension	78,103
Debt Service	963,193
Capital Outlay	260,605
Municipal Income Tax Levied for:	
General Purposes	9,738,146
Street Construction, Maintenance and Repair	700,439
Debt Service	817,179
Capital Outlay	700,440
Grants and Entitlements not Restricted to Specific Programs	1,982,505
Payments in Lieu of Taxes	148,883
Interest	240,343
Franchise Fees	333,413
Other	2,587,118
Total General Revenues	24,754,787
Change in Net Position	9,554,132
Net Position Beginning of Year - Restated (See Note 22)	(4,167,310)
Net Position End of Year	$5,386,822

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio
Balance Sheet
Governmental Funds
December 31, 2018

	General	Storm and Sewer	Street Improvement	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$2,477,966	$2,808,476	$1,156,176	$1,531,869	$7,974,487
Cash and Cash Equivalents In Segregated Accounts	115,023	0	0	55,303	170,326
Accounts Receivable	3,253,019	0	0	175	3,253,194
Intergovernmental Receivable	1,217,425	23	0	701,354	1,918,802
Prepaid Items	342,308	1,139	0	32,243	375,690
Materials and Supplies Inventory	40,791	0	0	109,742	150,533
Municipal Income Taxes Receivable	2,687,968	199,109	0	431,403	3,318,480
Property Taxes Receivable	9,014,392	0	0	2,514,270	11,528,662
Payments in Lieu of Taxes Receivable	0	0	0	156,885	156,885
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	151,862	0	0	0	151,862
Total Assets	$19,300,754	$3,008,747	$1,156,176	$5,533,244	$28,998,921
Liabilities					
Accounts Payable	$267,666	$14	$0	$26,743	$294,423
Accrued Wages	434,677	1,872	0	39,935	476,484
Matured Compensated Absences Payable	24,376	0	0	0	24,376
Retainage Payable	0	276,246	0	0	276,246
Intergovernmental Payable	1,486,470	958	0	138,351	1,625,779
Unearned Revenue	475,500	0	0	169,500	645,000
Interfund Payable	159,546	1,019	0	21,399	181,964
Accrued Interest Payable	0	0	33,000	0	33,000
Notes Payable	0	0	2,210,164	0	2,210,164
Claims Payable	14,084	0	0	721	14,805
Total Liabilities	2,862,319	280,109	2,243,164	396,649	5,782,241
Deferred Inflows of Resources					
Property Taxes	6,141,769	0	0	1,713,047	7,854,816
Payments in Lieu of Taxes	0	0	0	156,885	156,885
Unavailable Revenue	8,160,876	146,965	0	1,636,742	9,944,583
Total Deferred Inflows of Resources	14,302,645	146,965	0	3,506,674	17,956,284
Fund Balances					
Nonspendable	534,961	1,139	0	141,985	678,085
Restricted	0	2,580,534	0	1,607,476	4,188,010
Assigned	1,600,829	0	0	0	1,600,829
Unassigned (Deficit)	0	0	(1,086,988)	(119,540)	(1,206,528)
Total Fund Balances	2,135,790	2,581,673	(1,086,988)	1,629,921	5,260,396
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$19,300,754	$3,008,747	$1,156,176	$5,533,244	$28,998,921

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2018

Total Governmental Fund Balances		$5,260,396
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.		52,610,755
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavilable revenue in the funds:		
Delinquent Property Taxes	3,673,846	
Municipal Income Taxes	2,449,413	
Intergovernmental	1,468,587	
Charges for Services	2,352,737	
Total		9,944,583
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		(54,096)
The internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.		649,526
Deferred charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position.		154,640
The net pension asset/liability and net OPEB liability is not due and payable in the current period; therefore, the asset/liability and related deferred inflows/outflows are not reported in governmental funds:		
Net Pension Asset	45,678	
Deferred Outflows - Pension	4,293,651	
Deferred Inflows - Pension	(3,383,084)	
Net Pension Liability	(25,575,126)	
Deferred Outflows - OPEB	2,620,843	
Deferred Inflows - OPEB	(518,173)	
Net OPEB Liability	(22,152,390)	
Total		(44,668,601)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(13,358,084)	
Compensated Absences	(3,872,620)	
Claims Payable	(122,795)	
Police and Fire Liability	(471,150)	
Capital Leases	(685,732)	
Total		(18,510,381)
Net Position of Governmental Activities		$5,386,822

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General	Storm and Sewer	Street Improvement	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	$5,778,804	$0	$0	$1,707,738	$7,486,542
Municipal Income Taxes	9,375,787	673,598	0	1,459,461	11,508,846
Charges for Services	2,481,298	0	0	8,817	2,490,115
Fees, Licenses and Permits	585,936	0	0	48	585,984
Fines and Forfeitures	1,843,856	0	0	763,084	2,606,940
Intergovernmental	1,886,966	3,020,230	0	1,765,871	6,673,067
Interest	62,717	0	0	177,626	240,343
Franchise Fees	333,413	0	0	0	333,413
Payments in Lieu of Taxes	0	0	0	148,883	148,883
Other	962,332	1,009,474	61,993	553,319	2,587,118
Total Revenues	23,311,109	4,703,302	61,993	6,584,847	34,661,251
Expenditures					
Current:					
General Government	7,152,546	0	0	641,062	7,793,608
Security of Persons and Property	12,114,067	0	0	1,582,929	13,696,996
Public Health Services	591,643	0	0	0	591,643
Transportation	0	0	0	2,485,099	2,485,099
Community Development	300,067	0	0	6,962	307,029
Basic Utility Services	1,691,242	0	0	421,954	2,113,196
Leisure Time Activities	1,052,723	0	0	0	1,052,723
Capital Outlay	276,939	4,059,369	3,669,083	234,237	8,239,628
Debt Service:					
Principal Retirement	76,810	0	0	1,974,236	2,051,046
Interest and Fiscal Charges	11,410	0	39,756	644,800	695,966
Total Expenditures	23,267,447	4,059,369	3,708,839	7,991,279	39,026,934
Excess of Revenues Over (Under) Expenditures	43,662	643,933	(3,646,846)	(1,406,432)	(4,365,683)
Other Financing Sources (Uses)					
Inception of Capital Lease	246,000	0	0	0	246,000
Transfers In	144,314	0	243,305	2,408,813	2,796,432
Transfers Out	(1,858,040)	(120,250)	0	(818,142)	(2,796,432)
Total Other Financing Sources (Uses)	(1,467,726)	(120,250)	243,305	1,590,671	246,000
Net Change in Fund Balances	(1,424,064)	523,683	(3,403,541)	184,239	(4,119,683)
Fund Balances Beginning of Year	3,559,854	2,057,990	2,316,553	1,445,682	9,380,079
Fund Balances (Deficit) End of Year	$2,135,790	$2,581,673	($1,086,988)	$1,629,921	$5,260,396

See accompanying notes to the basic financial statements

City of Garfield 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, 2018

Net Change in Fund Balances - Total Governmental Funds		($4,119,683)
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 Assets Additions	16,619,330	
Current Year Depreciation	(3,218,342)	
Total		13,400,988
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(76,209)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	19,779	
Municipal Income Taxes	447,358	
Intergovernmental	(104,628)	
Charges for Services	221,448	
Total		583,957
Other financing sources in the governmental funds, such as inception of capital lease, increase long-term liabilities in the statement of net assets.		(246,000)
The internal service fund is used by management to charge the costs of insurance to individual funds not reported in the district-wide statements of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund are allocated among the governmental activities.		517,225
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	2,286,273	
OPEB	40,006	
Total		2,326,279
Except for amounts reported as deferred inflows/outflows, changes in the net pension and net OPEB liability are reported as pension expense in the statement of activities.		
Pension	(3,133,609)	
OPEB	(2,028,170)	
Total		(5,161,779)
Repayment of long-term obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Principal Retirement		2,051,046
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:		
Accrued Interest on Bonds	6,414	
Amortization of Deferred Charge on Refunding	(17,839)	
Amortization of Bond Discount	(1,417)	
Amortization of Bond Premium	10,092	
Total		(2,750)
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	283,607	
Claims	(2,549)	
Total		281,058
Change in Net Position of Governmental Activities		$9,554,132

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio

Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$6,011,680	$6,011,680	$5,739,001	($272,679)
Municipal Income Taxes	4,094,173	8,029,783	8,677,409	647,626
Charges for Services	1,093,885	3,035,102	2,454,874	(580,228)
Fees, Licenses and Permits	264,091	732,749	592,668	(140,081)
Fines and Forfeitures	828,348	2,298,343	1,858,963	(439,380)
Intergovernmental	797,136	2,951,747	1,759,918	(1,191,829)
Franchise Fees	148,341	411,587	332,903	(78,684)
Other	206,784	1,047,553	839,478	(208,075)
Total Revenues	13,444,438	24,518,544	22,255,214	(2,263,330)
Expenditures				
Current:				
General Government	7,347,609	8,638,237	7,311,435	1,326,802
Security of Persons and Property	11,554,033	12,822,138	12,398,782	423,356
Public Health Services	205,396	220,381	214,531	5,850
Community Development	311,226	324,884	319,624	5,260
Basic Utility Services	1,840,000	1,990,000	1,822,813	167,187
Debt Service:				
Principal Retirement	43,281	43,281	43,279	2
Interest and Fiscal Charges	8,127	8,127	7,469	658
Total Expenditures	21,309,672	24,047,048	22,117,933	1,929,115
Excess of Revenues Over (Under) Expenditures	(7,865,234)	471,496	137,281	(334,215)
Other Financing Sources (Uses)				
Transfers In	0	0	144,314	144,314
Transfers Out	(2,488,919)	(3,169,585)	(2,225,163)	944,422
Total Other Financing Sources (Uses)	(2,488,919)	(3,169,585)	(2,080,849)	1,088,736
Net Change in Fund Balance	(10,354,153)	(2,698,089)	(1,943,568)	754,521
Fund Balance Beginning of Year	2,891,230	2,891,230	2,891,230	0
Prior Year Encumbrances Appropriated	727,521	727,521	727,521	0
Fund Balance End of Year	($6,735,402)	$920,662	$1,675,183	$754,521

See accompanying notes to the basic financial statements

City of Garfield Heights

Statement of Fund Net Position
Internal Service Fund
December 31, 2018

	Internal Service
Assets	
Cash and Cash Equivalents With Fiscal Agents	$649,526
Interfund Receivable	181,964
Total Assets	831,490
Liabilities	
Claims Payable	181,964
Net Position	
Unrestricted	$649,526

See accompanying notes to the basic financial statements

City of Garfield Heights

Statement of Revenues,
Expenses and Changes in Fund Net Position
Internal Service Fund
For the Year Ended December 31, 2018

	Internal Service
Operating Revenues	
Charges for Services	$5,230,508
Miscellaneous	44,823
Total Operating Revenues	5,275,331
Operating Expenses	
Purchased Services	561,212
Claims	4,201,127
Total Operating Expenses	4,762,339
Operating Income	512,992
Non-Operating Operating Revenues	
Interest	4,233
Change in Net Position	517,225
Net Position Beginning of Year	132,301
Net Position End of Year	$649,526

See accompanying notes to the basic financial statements

City of Garfield Heights
Statement of Cash Flows
Internal Service Fund
For the Year Ended December 31, 2018

	Internal Service
Increase (Decrease) in Cash and Cash Equivalents	
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	$5,532,936
Cash Received from Other Sources	44,823
Cash Payments for Services	(561,212)
Cash Payments for Claims	(4,503,555)
Net Cash Provided by Operating Activities	512,992
Cash Flows from Investing Activities	
Interest on Investments	4,233
Net Increase (Decrease) in Cash and Cash Equivalents	517,225
Cash and Cash Equivalents Beginning of Year	132,301
Cash and Cash Equivalents End of Year	$649,526
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	$512,992
Adjustments:	
(Increase) Decrease in Assets:	
Interfund Receivable	302,428
Increase (Decrease) in Liabilities:	
Claims Payable	(302,428)
Net Cash Provided by (Used for) Operating Activities	$512,992

See accompanying notes to the basic financial statements

City of Garfield Heights, Ohio
Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2018

Assets	
Equity in Pooled Cash and Cash Equivalents	$1,389,226
Cash and Cash Equivalents in Segregated Accounts	191,242
Total Assets	$1,580,468
Liabilities	
Intergovernmental Payable	$1,034,054
Due to Others	546,414
Total Liabilities	$1,580,468

See accompanying notes to the basic financial statements

Note 1 - Description of the City and Reporting Entity

The City of Garfield Heights (the "City") is a municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City operates under its own charter which was adopted on November 6, 1956. The City is governed under the mayor-council form of government.

The Mayor, elected by the voters for a four-year term, is the head of the municipal government for ceremonial, administrative and executive purposes and performs the judicial functions of the City. The chief conservator of the peace, he oversees the enforcement of all laws and ordinances. He also executes all contracts, conveyances and evidences of indebtedness of the City. The Mayor appoints the law director, finance director and service director with approval from Council.

Legislative authority is vested in a seven member council elected from wards. Council members are elected to two-year terms. The seven Council members elect one of their own to act as the President of Council and the President Pro-Tem. Council enacts ordinances and resolutions relating to tax levies and appropriates and borrows money.

The Board of Control approves all bids and is made up of four Council members (the president of Council and the Finance Committee) and four administrators (the Mayor, law director, finance director and service director).

Reporting Entity

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, agencies, departments and offices that are not legally separate from the City. For the City of Garfield Heights this includes the agencies and departments that provide the following services: police and fire protection, emergency medical services, municipal court, parks, recreation, planning, zoning, street maintenance and repairs.

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 the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations which are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. The reporting entity of the City does not include any component units.

The City participates in the Northeast Ohio Public Energy Council, the First Suburbs Consortium of Northeast Ohio Council of Governments and the First Suburbs Development Council, jointly governed organizations and the Jefferson Health Plan, an insurance purchasing pool. Information about these organizations is presented in Notes 17 and 18 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

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

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. The activities of the internal service fund are eliminated to avoid "doubling up" revenues and expenses. These statements usually distinguish between those activities of the City that are governmental and those that are considered business-type. The City, however, has no business-type activities.

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

Fund Financial Statements During the year, the City segregates transactions related to 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. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by type.

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. The City uses three categories of funds, governmental, proprietary and fiduciary.

Governmental Funds

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

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

Storm and Sewer Capital Projects Fund This fund is used to account for and report restricted grant and loan monies to be used for storm and sewer capital construction and the acquisition of capital assets.

Street Improvement Capital Projects Fund This fund is used to account for and report restricted grant and loan monies to be used for street capital construction and the acquisition of capital assets.

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

Proprietary Funds Proprietary funds reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service; the City has no enterprise funds.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The City's internal service fund accounts for self insurance for medical claims of City employees.

Fiduciary Fund

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. The City's agency funds are purely custodial (assets equal liabilities) and thus does not involve measurement of results of operations. The City's agency funds account for the municipal court's resources which are due to other cities, for payments in lieu of taxes collected on the Transportation-Antenucci Boulevard tax increment financing, which are due to the Garfield Heights City School District and the Cleveland Cuyahoga County Port Authority, and monies from City of Cleveland held for waterline improvements.

Measurement Focus

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

Fund Financial Statements All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources 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 a 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 of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund 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.

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 and the statements presented for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/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. For the City, available means expected to be received within sixty days of year-end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 8) Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because such amounts have not yet been earned.

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 deferred charges on refunding, pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 19 and 20.

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 payment in lieu of taxes. Property taxes and payment in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance fiscal year 2019 operations. These amounts have been recorded as a deferred inflow 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, income taxes, special assessments and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balance to net position of governmental activities found on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (See Notes 19 and 20).

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.

Pensions/Other Postemployment Benefits (OPEB)

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

Budgetary Process

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

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

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

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. Interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

The City utilizes a financial institution to service self-insurance payments as they come due. The City has also deposited monies with the Ohio Department of Transportation for future street projects. The balances in these accounts are presented in the statements as "cash and cash equivalents with fiscal agents."

The City has segregated bank accounts for monies held separate from the City's central bank account. These depository accounts are presented as "cash and cash equivalents in segregated accounts" and represent deposits in the municipal court.

During 2018, 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 an NAV per share that approximates fair value.

For 2018, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, twenty-four hours advance notice is appreciated for deposits and withdrawals of $25 million or more. STAR Ohio reserves the right to limit the transactions to $100 million per day, 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 street construction, maintenance and repair fund during 2018 amounted to $139,909, which includes $127,926 assigned from other City funds.

For presentation on the financial statements, investments of the cash management pool and investments not purchased from the pool with an original maturity of three months or less are considered to be cash equivalents.

Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of purchase and an expenditure/expense is reported in the year in which services are consumed.

Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws or other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies.

Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their acquisition values as of the date received. The City does not have a capitalization threshold. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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	10 - 45 years
Improvements Other than Buildings	10 - 45 years
Vehicles	6 - 20 years
Machinery and Equipment	1 - 20 years
Furniture and Fixtures	5 - 20 years
Infrastructure	25 - 50 years

Infrastructure consists of roadways, sidewalks and trails, sanitary sewers and storm sewers and includes infrastructure acquired prior to December 31, 1980.

Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive the compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the City has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits in the City's termination policy. The City records a liability for accumulated unused vacation and sick leave for all employees after one year of service.

Overtime is paid in the period in which it was worked, except for the Police and Fire Department employees, who may accumulate overtime within limits built into the contracts. At the time of separation, these employees are entitled to payment for any accumulated but unused overtime.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments came due each period upon the occurrence of employee resignations and retirements. These amounts are recorded as "matured compensated absences payable" in the funds from which the employees who have resigned or retired will be paid.

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 and judgments, 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 fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

Fund Balance

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

> ***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.
>
> ***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.
>
> ***Committed*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution as both are legally binding) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the 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. These amounts are assigned by Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the Finance Director to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. Council assigned fund balance to cover a gap between estimated revenue and appropriations in 2019's appropriated budget and for the recreation and nutrition programs.

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

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.

Net Position

Net Position represents the difference between all other elements in a statement of financial position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes includes resources restricted for law enforcement and education, community development and street repair and maintenance.

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

Internal Activity

Transfers between governmental activities are eliminated on the government wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the Statement of Activities. Interfund payments for services provided and used are not eliminated.

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/expenses to the funds that initially paid for them are not presented on the financial statements.

Bond Premium

On the government-wide financial statements, bond premiums are deferred and amortized over the term of the bonds using the effective interest method. Bond premiums are presented as an increase of the face amount of the bonds payable. On the governmental fund statements, bond premiums are receipted in the year the bonds are issued. Under Ohio law, premiums on the original issuance of debt are to be deposited to the bond retirement fund to be used for debt retirement and are precluded from being applied to the project fund. Ohio law does allow premiums on refunding debt to be used as part of the payment to the bond escrow agent.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

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 - Budgetary Basis of Accounting

While reporting financial position, results of operations, and changes in fund balances on the basis of generally accepted accounting principles (GAAP basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures, and changes in fund balance - budget (non-GAAP basis) and actual are presented in the basic financial statements for the general fund. The major differences between the budget basis and the GAAP basis (generally accepted accounting principles) are:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

2. Expenditures are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

3. Unrecorded cash represents amounts received but not included as revenue on the budgetary statements, but reported on the operating statements prepared using GAAP.

3. Encumbrances are treated as expenditures (budget) rather than as restricted, committed or assigned fund balance (GAAP).

4. Budgetary revenues and expenditures of the recreation and federal nutrition funds are classified to the general fund for GAAP reporting.

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

Net Change in Fund Balance	
GAAP Basis	($1,424,064)
Net Adjustment for Revenue Accruals	(3,467,069)
Unrecorded Cash	(7,630)
Perspective Difference:	
Recreation	20,994
Federal Nutrition	7,174
Net Adjustment for Expenditure Accruals	3,523,065
Encumbrances	(596,038)
Budget Basis	($1,943,568)

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

Fund Balances	General	Storm and Sewer	Street Improvement	Other Governmental Funds	Total
Nonspendable					
Prepaid Items	$342,308	$1,139	$0	$32,243	$375,690
Materials and Supplies Inventory	40,791	0	0	109,742	150,533
Unclaimed Monies	151,862	0	0	0	151,862
Total Nonspendable	534,961	1,139	0	141,985	678,085
Restricted for					
Municipal Court	0	0	0	183,699	183,699
Public Safety	0	0	0	474,707	474,707
Street Maintenance	0	0	0	509,511	509,511
Community Development	0	0	0	5,695	5,695
Debt Service Payments	0	0	0	61,943	61,943
Capital Improvements	0	2,580,534	0	371,921	2,952,455
Total Restricted	0	2,580,534	0	1,607,476	4,188,010
Assigned to					
Recreation and Nutrition Programs	304,752	0	0	0	304,752
Purchases on Order:					
Personal Services	155	0	0	0	155
Materials and Supplies	18,881	0	0	0	18,881
Contractual Services	129,226	0	0	0	129,226
Capital Outlay	16,384	0	0	0	16,384
2019 Appropriations	1,131,431	0	0	0	1,131,431
Total Assigned	1,600,829	0	0	0	1,600,829
Unassigned (Deficit)	0	0	(1,086,988)	(119,540)	(1,206,528)
Total Fund Balances	$2,135,790	$2,581,673	($1,086,988)	$1,629,921	$5,260,396

Note 5 – Accountability and Compliance

Accountability

The following funds had deficit fund balances as of December 31, 2018:

Special Revenue Funds	
Police Pension	$59,135
Fire Pension	57,880
Family Resources	1,252
Capital Projects Fund	
Street Improvement	1,086,988

The special revenue and the capital projects funds have deficits caused by the recognition of expenditures on a modified accrual basis of accounting which are substantially greater than the expenditures recognized on a cash basis. The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur.

Compliance

The following funds had original appropriations in excess of estimated resources plus carryover balances contrary to Section 5705.39, Ohio Revised Code:

Fund	Excess
General Fund	$ (6,735,402)
Bond Retirement Fund	(47,658)
Special Revenue Funds:	
Street Lighting	(3,161)
Police Pension	(41,908)
Fire Pension	(58,063)
Street Construction, Mainenance, and Repair	(779,796)
State Highway	(5,082)
GH Family Resource	(5,380)

The following fund had final appropriations in excess of estimated resources plus carryover balances in violation of section 5705.39, Ohio Revised:

Fund	Excess
Special Revenue Funds:	
Police Pension	$ (52)

The following fund had actual expenditures in excess of final appropriations resources plus carryover balances in violation of section 5705.39, Ohio Revised:

Fund	Excess
Bond Retirement Fund	$ (20,359)

Note 6 - Deposits and Investments

The City is a charter City and has chosen to follow State statutes and classify monies held by the City into three categories.

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

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

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

Interim monies held by the City can be deposited or invested in the following securities:

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

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

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

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

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

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

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of settlement, 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2018, $980,706 of the City's total bank balance of $4,608,931 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. Two of the City's financial institution participates in the Ohio Pooled Collateral System (OPCS) and were approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

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

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

Investments

At December 31, 2018, the City had $5,679,594 invested in STAR Ohio with an average maturity of 44.9 days.

Credit Risk Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The City has no investment policy that addresses credit risk.

Note 7 - Contingencies

Grants

The City receives financial assistance from federal and state agencies in the form of grants. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the City at December 31, 2018.

Litigation

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

The City is a party to legal proceedings seeking recovery and damages related to the construction of the City View Center shopping plaza. While it is not possible at this time to predict the final outcome of the case, the City intends to vigorously defend itself. Furthermore, if the final outcome were unfavorable to the City, it is unable to predict a range of potential loss at this time.

Note 8 – Receivables

Receivables at December 31, 2018 consisted primarily of municipal income taxes, property taxes, payments in lieu of taxes, accounts and intergovernmental.

No allowances for doubtful accounts have been recorded as uncollectible amounts are expected to be insignificant. All receivables except property taxes and the garbage and grass receivable included in accounts receivable are expected to be collected within one year. Property taxes and the garbage and grass receivable, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2018 for real and public utility property taxes represents collections of the 2017 taxes. Property tax payments received during 2018 for tangible personal property (other than public utility property) are for 2018 taxes.

2018 real property taxes are levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statue permits 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. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was $28.06 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2018 property tax receipts were based as follows:

	Assessed Valuation
Real Estate	
Residential/Agriculture	$222,866,320
Commercial Industrial/Public Utility	70,392,690
Tangible Personal Property	
Public Utility	13,857,430
Total	$307,116,440

The County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Garfield Heights and periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2018 and for which there is an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2018 operations is offset to deferred inflows of resources – property taxes. On an accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Income Taxes

The City levies a municipal income tax of two percent 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 allows a credit of 100 percent of the tax paid to another municipality to a maximum of the total amount assessed. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds are credited to the following funds: 81 percent to the general fund, 6 percent to the street construction maintenance and repair special revenue fund, 7 percent to the bond retirement debt service fund and 6 percent to the storm and sanitary sewer capital projects fund.

Payments in Lieu of Taxes

According to State law, the City has established a tax incremental financing district within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owner has agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owner's contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever occurs first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners. A portion of the payments in lieu of taxes the City receives is due to the Garfield Heights City School District and the Cleveland Cuyahoga County Port Authority. The payable for this portion has been reported in the City's agency fund.

Intergovernmental Receivables

A summary of the principal items of intergovernmental receivables follows:

	Amount
Homestead and Rollback	$577,060
Local Government	400,150
Gas Tax	386,856
Garfield Heights City School District	242,460
Grants	113,670
Motor Vehicle License	94,119
Permissive Tax	82,893
Cuyahoga County	13,713
Bureau of Workers' Compensation	5,730
Ohio Department of Public Safety	2,067
Village of Valley View	84
Total Intergovernmental Receivables	$1,918,802

Note 9 - Tax Abatements

As of December 31, 2018, the City of Garfield Heights provides tax abatements through two programs: The Community Reinvestment Area (CRA) Tax Abatements and Enterprise Zone Tax Exemptions. The City of Garfield Heights approved a tax abatement policy in 1990 that provides a comprehensive and thorough tax abatement policy in order to ensure efficiency, fairness and uniformity in tax abatement determinations.

Community Reinvestment Area (CRA)

Pursuant to Ohio Revised Code Chapter 5709, the City established three Community Reinvestment Areas in the years of 2002 and 2003, which included all lands with the boundaries of the City. The City authorizes incentives through passage of public ordinances, based upon each business's investment criteria, and through a contractual application process with each business, including proof that the improvements have been made. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatements is deducted from the recipient's property tax bill. The establishment of the Community Reinvestment Area gave the City the ability to maintain and expand business in the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate and includes major housing improvements. The City also contracts with the Garfield Heights City School District for payments in lieu of taxes as required by City ordinance 107-1990.

The amount of abated tax dollars by the City for CRA's in 2018 was $447,004.

Enterprise Zone Tax Exemptions

Pursuant to Ohio Revised Code Chapter 5709, the City of Garfield Heights provides another tax incentive through Enterprise Zone Agreements. The City has established Enterprise Zone agreements, which includes all lands within the boundaries of the City. The City authorizes these incentives through passage of public ordinances based upon each business' investment criteria and job retention and/or creation. The abatement equals an agreed upon percentage of abated property value and the amount of the abatements is deducted from the recipient's property tax bill.

The City has entered into a tax revenue sharing agreement with the City of Garfield Heights Local School District. The City accrued $1,176,062 as an intergovernmental payable to the School District in 2018.

Note 10 – Interfund Balances and Transfers

Interfund Balances

At December 31, 2018, the general fund owed $159,546, the storm and sewer owed $1,019, and other governmental funds owed $21,399 to the self insurance fund for charges for services. These amounts are reported as interfund payables on the balance sheet and interfund receivables on the statement of net position – internal service fund.

Interfund Transfers

At December 31, 2018, interfund transfers were as follows:

	Transfer From			
Transfer To	General	Storm and Sewer	Other Governmental Funds	Totals
General Fund	$0	$0	$144,314	$144,314
Street Improvement	0	0	243,305	243,305
Other Governmental Funds	1,858,040	120,250	430,523	2,408,813
Totals	$1,858,040	$120,250	$818,142	$2,796,432

During 2018, the general fund transferred out $1,858,040 to various other governmental funds. The general fund transfers to the police and fire pension special revenue funds of $719,514 and $678,281, respectively, were made because the property tax received by those funds are not enough to meet the annual liability and payment to the police and fire pension systems. The police and fire pension special revenue funds were set up to correctly identify a small percentage of the property tax revenues that were earmarked inside millage for the payment of pension amounts for the City's police and fire safety officers. After these tax revenues are received from the County through the property tax distributions, any remaining balance needed to pay the pension payments is transferred to these funds from the general fund. The general fund transfer to the street lighting, state highway, municipal court special projects, municipal court capital improvements and Garfield Heights family resource center special revenue funds of $67,849, $12,612, $10,000, $10,000 and $87,228, respectively, were to provide additional resources for current operations. The general fund transferred $272,556 to the bond retirement debt service fund to support payments on long-term debt. The FEMA special revenue fund transferred $144,314 to the general fund for police and fire safety officers.

The bond retirement debt service fund received transfers of $272,556 from the general fund, $126,216 from the street construction maintenance and repair special revenue fund, $204,307 from the motor vehicle license tax special revenue fund, as well as $120,250 from the storm and sanitary sewer and $100,000 from the permanent improvement capital projects funds to support payments on long-term debt.

The bond retirement fund transferred $243,305 to the street improvement capital project fund to provide resources for the payment of a note.

Note 11 - Capital Assets

Capital asset activity for the year ended December 31, 2018, was as follows:

	Balance 12/31/17	Additions	Deductions	Balance 12/31/18
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land	$2,161,798	$637,940	($70,362)	$2,729,376
Construction in Progress	2,086,926	4,214,117	(1,058,840)	5,242,203
Total Capital Assets, Not Being Depreciated	4,248,724	4,852,057	(1,129,202)	7,971,579
Capital Assets, Being Depreciated				
Buildings	15,770,914	0	0	15,770,914
Improvements Other than Buildings	4,748,235	0	0	4,748,235
Vehicles	5,423,901	663,597	(137,589)	5,949,909
Machinery and Equipment	6,241,686	454,657	(297,857)	6,398,486
Furniture and Fixtures	840,306	107,944	(1,146)	947,104
Infrastructure				
Roads	41,505,581	11,599,915	0	53,105,496
Sidewalks and Trails	150,000	0	0	150,000
Sanitary Sewers	4,686,526	0	0	4,686,526
Storm Sewers	2,818,894	0	0	2,818,894
Total Capital Assets, Being Depreciated	$82,186,043	$12,826,113	($436,592)	$94,575,564

(continued)

	Balance 12/31/17	Additions	Deductions	Balance 12/31/18
Governmental Activities (Continued)				
Less Accumulated Depreciation				
Buildings	($8,035,955)	($336,793)	$0	($8,372,748)
Improvements Other than Buildings	(3,126,871)	(128,720)	0	(3,255,591)
Vehicles	(4,427,793)	(217,309)	132,751	(4,512,351)
Machinery and Equipment	(5,056,265)	(218,114)	297,713	(4,976,666)
Furniture and Fixtures	(666,754)	(31,412)	281	(697,885)
Infrastructure				
Roads	(23,352,339)	(2,103,731)	0	(25,456,070)
Sidewalks and Trails	(33,750)	(7,500)	0	(41,250)
Sanitary Sewers	(1,687,050)	(105,730)	0	(1,792,780)
Storm Sewers	(762,014)	(69,033)	0	(831,047)
Total Accumulated Depreciation	(47,148,791)	(3,218,342)	430,745	(49,936,388)
Total Capital Assets being Depreciated, Net	35,037,252	9,607,771	(5,847)	44,639,176
Capital Assets, Net	$39,285,976	$14,459,828	($1,135,049)	$52,610,755

Depreciation expense was charged to governmental functions as follows:

General Government	$397,813
Security of Persons and Property	355,323
Public Health Services	37,957
Transportation	2,164,997
Basic Utility Services	175,000
Leisure Time Activities	87,252
Total Depreciation Expense	$3,218,342

Note 12 – Compensated Absences

Employees earn vacation leave at different rates which are affected by the employee's length of service. Once vacation leave is earned it cannot be taken away from the employee. Within the labor contracts and/or agreements for the Police, Firemen, Dispatchers and Jailers, Service Department employees and administrative employees of the City there is language allowing the carry-over of vacation credits into future periods, through the written approval of either the department chief, director or the Mayor. Although the labor contracts allow for this carryover under certain circumstances, the labor union employees are required to use their vacation leave in the year that they earn it. The other limit placed upon any of these classes of employees is the limit in the fire contract that the City will only pay out at retirement a maximum of 6 weeks of vacation credits. In an effort to avoid many vacation accruals the City has agreed in negotiations to the right of the employee to be paid for unused vacation leave during the month of December. At retirement or separation from City employment the employee would be entitled to payment at the current rate of pay for any earned but unused vacation credits they may have.

Overtime is paid for in the period in which it is worked, except for the Police and Fire Department and members of American Federation of State, County and Municipal Employees (AFSCME), who may accumulate overtime within limits built into the contracts. At the time of separation, these employees are entitled to payment for any accumulated but unused overtime.

Sick leave may be accumulated without limit. Upon retirement, death, or leaving City service, employees are entitled to payment of any accumulated but unused sick leave as follows: Fire Department employees at 50 percent, provided the employee had at least 15 years of service with the City; all other employees at 50 percent of accumulated but unused sick leave, without any service requirement.

Note 13 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2018, the City contracted with Ohio Plan Risk Management Inc. for various types of insurance as follows:

Type	Coverage	Per Occurrence
Property	$34,922,539	
Inland Marine	2,099,485	
Comprehensive General Liability	6,000,000	$8,000,000
Police Professional Liability	6,000,000	8,000,000
Employment Practices	6,000,000	8,000,000
Vehicle Liability	6,000,000	
Public Officials Liability	6,000,000	8,000,000
Crime Coverage	520,000	520,000
Cyber Security Coverage	1,000,000	1,000,000

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

For 2018, the City participated in the Jefferson Health Plan, an insurance purchasing pool. Each participant enters into an individual agreement with the Plan for insurance coverage and pays annual premiums to the Plan based on the types and limits of coverage and deductibles selected by the participant. See Note 18 for additional information.

The City manages employee health benefits on a self-insured basis. The employee health benefit plan provides basic hospital/medical/surgical plans with deductibles of $200 per person and $400 per family, with maximum out of pocket expenses, not including the deductibles, of $0 per individual or family coverage for network, and $800 and $1,200 per individual and family, respectively, for out of network. The City's third party administrator Meritain Health reviews all claims which are then paid by the City. An excess coverage insurance (stop-loss) policy covers claims in excess of $100,000 per employee. The benefit is paid by the fund that pays the salary for the employee and is based on number of covered employees in the respective fund.

A health benefit claims liability of $196,769 has been accrued in the general fund, street maintenance and repair, state highway, municipal court special projects and family resource center special revenue funds and storm and sewer, municipal court improvement capital projects, and self insurance funds based on an estimate by the third party administrator. The liability reported at December 31, 2018 is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expense.

The City participates in the State Workers' Compensation retrospective rating and payment system. Once the City receives notice of the 2018 claims paid by the Bureau of Workers' Compensation, the City will reimburse the State for claims paid on the City's behalf. The payable is reclassified from claims payable to intergovernmental payable. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage plus the actual claim costs for employees injured in 2018. The intergovernmental payable consists of the actual claim costs of $138,290. The maintenance of these benefits is accounted for in the general fund. Incurred but not reported claims and premium of $122,795 have been accrued as a liability at December 31, 2018 based on an estimate provided by Minute Men HR, the City's third party administrator. Changes in the claims liability amount for health and workers' compensation in 2017 and 2018 were:

	Balance Beginning of Year	Current Year Claims	Claim Payments	Change in Estimate	Balance at End of Year
2017	$465,716	$4,161,585	$4,008,024	($3,177)	$616,100
2018	616,100	4,259,479	4,612,165	56,150	319,564

Note 14 – Short-Term Obligations

The City's short-term note activity is as follows:

	Balance 12/31/17	Additions	Reductions	Balance 12/31/18
2017 SO Income Tax				
Street Improvement Notes	$2,400,000	$0	$2,400,000	$0
Unamortized Premium	7,080	0	7,080	0
2018 SO Income Tax				
Street Improvement Notes	0	2,200,000	0	2,200,000
Unamortized Premium	0	20,328	10,164	10,164
Total Short-Term Obligations	$2,407,080	$2,220,328	$2,417,244	$2,210,164

On June 20, 2017, the City issued $2,400,000 in special obligation income tax street improvement notes for street improvement capital projects. These notes were originally issued at a premium of $14,160. The note was issued at a 2 percent interest rate and matured on June 20, 2018.

On June 20, 2018, the City issued $2,200,000 in special obligation income tax street improvement notes for street improvement capital projects. These notes were issued at a premium of $20,328. The note was issued at a 3 percent interest rate and matures on June 19, 2019. Principal and interest requirements to retire the special obligation income tax street improvement note at December 31, 2018 are $2,200,000 and $66,000.

Note 15 - Long-Term Obligations

Changes in long-term obligations of the City during the year ended December 31, 2018 were as follows:

	Outstanding 12/31/2017	Additions	Reductions	Outstanding 12/31/2018	Amounts Due in One Year
Governmental Activities					
General Obligation Bonds					
2004 4.75% $9,900,000					
Various Improvements	$4,910,000	$0	($602,000)	$4,308,000	$633,000
2010 3.00% Various Improvement					
Serial Bonds	660,000	0	(660,000)	0	0
Term Bonds	4,055,000	0	0	4,055,000	355,000
Unamortized Premium	111,111	0	(10,092)	101,019	0
2012 3.00% $5,775,000					
Various Purpose Improvement					
Refunding Bonds					
Serial Bonds	1,980,000	0	(380,000)	1,600,000	385,000
Term Bonds	2,350,000	0	0	2,350,000	0
Unamortized Discount	(14,052)	0	1,417	(12,635)	0
2016 1.89% $1,405,600					
Various Purpose Refunding Bonds	1,184,200	0	(227,500)	956,700	228,400
Total General Obligation Bonds	15,236,259	0	(1,878,175)	13,358,084	1,601,400
Other Long-Term Liabillities					
Net Pension Liability					
OPERS	8,299,768	0	(2,386,153)	5,913,615	0
OP&F	20,270,887	0	(609,376)	19,661,511	0
Total Net Pension Liability	28,570,655	0	(2,995,529)	25,575,126	0
Net OPEB Liability					
OPERS	2,960,410	1,041,229	0	4,001,639	0
OP&F	15,191,484	2,959,267	0	18,150,751	0
Total Net OPEB Liability	18,151,894	4,000,496	0	22,152,390	0
Compensated Absences Payable	4,156,227	223,400	(507,007)	3,872,620	384,324
Worker's Compensation Claims Payable	120,246	43,547	(40,998)	122,795	73,014
Police and Fire Pension Liability	490,598	0	(19,448)	471,150	20,283
Capital Leases Payable	601,830	246,000	(162,098)	685,732	150,242
Total Other Long-Term Liabilities	52,091,450	4,513,443	(3,725,080)	52,879,813	627,863
Total Governmental Activities	$67,327,709	$4,513,443	($5,603,255)	$66,237,897	$2,229,263

General obligation bonds will be paid from the general bond retirement debt service fund. Compensated absences and claims will be paid from the general fund, street, construction, maintenance and repair, state highway, municipal court special projects and family resource center special revenue funds and the storm and sewer and municipal court improvement capital projects funds. The police and fire pension liability will be paid from taxes receipted in the police and fire pension special revenue funds. This includes an accrued liability incurred when the State of Ohio established the statewide pension system for police and firefighters. There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the following funds: the general fund, the police pension, fire pension, street construction, maintenance and repair, state highway, storm and sewer, municipal court special projects, municipal court capital improvement and Garfield Heights family resource center. For additional information related to the net pension/OPEB liabilities see Notes 19 and 20.

During 2016, the City issued $1,405,600 in general obligation serial bonds for the purpose of refunding the 2006 street improvement general obligation issues in order to take advantage of lower interest rates. The bonds were issued for a six year period with a final maturity in 2022. The proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. On December 31, 2018, $930,000 of the defeased bonds are still outstanding.

On October 30, 2012, the City issued $5,775,000 in general obligation bonds for the purpose of refunding general obligation issues in order to take advantage of lower interest rates. The general obligation bonds consist of serial and term bonds in the amounts of $3,425,000 and $2,350,000, respectively. The bonds were issued for a fifteen year period with a final maturity on December 1, 2027.

The term bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue $2,350,000
2023	$430,000
2024	450,000
2025	470,000
2026	490,000
Total mandatory sinking fund payments	1,840,000
Amount due at stated maturity	510,000
Total	$2,350,000
Stated Maturity	*12/1/2027*

On November 10, 2010, the City issued $10,625,000 in general obligation bonds for the purpose of various capital improvements and to refund general obligation issues in order to take advantage of lower interest rates. The general obligation bonds consist of serial and term bonds in the amounts of $1,310,000 and $9,315,000, respectively. The bonds were issued for an eighteen year period with a final maturity on December 1, 2028.

The term bonds maturing on December 1, 2020, 2025 and 2028 are subject to mandatory sinking fund redemption at a redemption price of 100 percent of the principal amount to be redeemed, plus accrued interest to the date of redemption, on December 1 in the years and in the respective principal amounts as follows:

Year	Issue $725,000	Issue $2,130,000	Issue $1,200,000
2019	$355,000	$0	$0
2021	0	385,000	0
2022	0	405,000	0
2023	0	425,000	0
2024	0	445,000	0
2026	0	0	380,000
2027	0	0	400,000
Total mandatory sinking fund payments	355,000	1,660,000	780,000
Amount due at stated maturity	370,000	470,000	420,000
Total	$725,000	$2,130,000	$1,200,000
Stated Maturity	*12/1/2020*	*12/1/2025*	*12/1/2028*

The City's overall legal debt margin was $19,039,469 at December 31, 2018. Principal and interest requirements to retire long-term obligations outstanding at December 31, 2018 are as follows:

	General Obligation Bonds		Police and Fire Pension	
	Principal	Interest	Principal	Interest
2019	$1,601,400	$550,252	$20,283	$19,811
2020	1,664,100	490,321	21,155	18,939
2021	1,732,600	426,875	22,063	18,031
2022	1,802,600	356,867	23,011	17,084
2023	1,625,000	282,714	24,000	16,095
2024-2028	4,844,000	536,964	136,374	64,097
2029-2033	0	0	168,286	32,185
2034-2035	0	0	55,978	2,358
Totals	$13,269,700	$2,643,993	$471,150	$188,600

Note 16 - Capital Leases

In 2018, the City entered into a lease agreement for a carrier chiller. In prior years, the City entered into lease agreements a front end loader, police vehicles, ambulance and salt truck. The leases meet the criteria of a capital lease. Capital lease payments are reflected as debt service expenditures on the statement of revenues, expenditures, and changes in fund balance for governmental funds. These leases are secured by the related property.

Capital assets acquired by lease currently being paid have been capitalized and depreciated as follows as of December 31, 2018:

	Amounts
Vehicles	$ 889,535
Machinery and Equipment	302,000
Less Accumulated Depreciation	(205,261)
Current Book Value	$ 986,274

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the minimum lease payments as of December 31, 2018.

	Governmental Activities
2019	$168,363
2020	168,363
2021	168,364
2022	135,589
2023	65,652
2024	38,651
Total Mimimum Lease Payments	744,982
Less: Amount representing interest	(59,250)
Present Value of Mimimum Lease Payments	$685,732

Note 17 - Jointly Governed Organizations

Northeast Ohio Public Energy Council 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 126 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity 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 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 2018. Financial information can be obtained by contacting Joseph Migliorini, the Board Chairman, at 175 South Main Street, Akron, Ohio 44308 or at the website www.nopecinfo.org.

First Suburbs Consortium of Northeast Ohio Council of Governments The City is a member of the First Suburbs Consortium of Northeast Ohio Council of Governments (Council). The Council is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. The Council is currently comprised of 18 communities. The Council was formed to foster cooperation between municipalities in matters of mutual concern, including but not limited to initiation and support of policies and practices which protect, maintain and redevelop mature communities and other matters which affect health, welfare, education, economic conditions and regional development.

The Council is governed by an Assembly made up of one representative from each member community. The representatives then elect the Governing Board made up of a Chair, Vice Chair and other members elected in annual elections. The Board oversees and manages the Council. The degree of control exercised by any participating government is limited to its representation in the Assembly and on the Board. During 2018, the City contributed $3,000 to the First Suburbs Consortium. The First Suburbs also has a development section of the Council of Governments. During 2018, the City contributed $1,750 to the First Suburbs Consortium Development. Financial information for both programs can be obtained by contacting First Suburbs Consortium of Northeast Ohio Council of Governments, 165 Center Road, Bedford, Ohio 44146.

First Suburbs Development Council The City is a member of the First Suburbs Development Council which was formed as a result of a task force comprised of economic development officials of the member communities and representatives from the Cuyahoga County Department of Development and planning commission to design a program to address development issues and augment each of the member communities' re-development efforts. The committee engaged to develop a framework for the program, solicited input from development practitioners, regional economic development agencies and foundations. The First Suburbs Development council is a 501(c) (3) organization Incorporated by the State of Ohio.

The mission of the FSDC is "to initiate and encourage collective economic and community development growth within the first0ring suburbs of Cleveland." The FSDC accomplishes this by providing resources to member communities to strengthen their capacity to advance development and re-development projects.

The First Suburbs Development Council works in conjunction with the First Suburbs Consortium of Northeast Ohio Council of Governments. The Development Council is currently compromised of 15 communities. During 2018, the City contributed $1,750 to the First Suburbs Development Council. Financial information can be obtained by contacting First Suburbs Development Council, 165 Center Road Bedford, OH 44146.

Note 18 – Insurance Purchasing Pool

The City participates in the Jefferson Health Plan (Plan), a risk-sharing, claims servicing, and insurance purchasing pool, including two insurance consortiums. Each participant appoints a member of the insurance plan's assembly. The Plan's business and affairs are conducted by a nine member Board of Directors elected from the assembly. The Plan offers medical, dental, and prescription drug coverage to the members on a self-insured basis, as well as the opportunity to participate in the group purchasing of life insurance coverage. The medical coverage plan provides each plan participant the opportunity to choose a self-insurance deductible limit which can range from $35,000 to $100,000, under which the individual member is responsible for all claims through the claims servicing pool. Plan participants also participate in a shared risk internal pool for individual claims between the self-insurance deductible limit and $500,000, and all claims between the deductible limit and the $500,000 are paid from the internal shared risk pool. The internal pool is not owned by the plan's participants. All participants pay a premium rate that is actuarially calculated based on the participant's actual claims experience which are utilized for the payment of claims within the claims servicing pool up to the self-insurance deductible limit; and for this portion of the plan, all plan participants retain their own risk. All participants pay an additional fee for participation in the internal pool that is based on the claims of the internal pool in aggregate and is not based on individual claims experience. In the event of a deficiency in the internal pool, participants would be charged a higher rate for participation, and in the event of a surplus, the internal pool pays dividends to the participants. For all individual claims exceeding $500,000, stop loss coverage is purchased, as well as from an annual total plan aggregate claims amount. All plan participants also pay a monthly administrative fee for fiscal services and third party administrative services.

Note 19 - Defined Benefit Pension Plans

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

Net Pension Liability (Asset) /Net OPEB Liability

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

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

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

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also includes pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net pension/OPEB asset* or a long-term *net pension/OBEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 20 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

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

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

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

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

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

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. Members retiring under the combined plan receive a cost–of–living adjustment of the defined benefit portion of their pension benefit. 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 member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the 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.

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

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within the 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 the remainder going to pension.

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

For 2018, The City's contractually required contribution was $760,862 for the traditional plan, $19,802 for the combined plan and $14,341 for the member-directed plan. Of these amounts, $90,505 is reported as an intergovernmental payable for the traditional plan, $2,354 for the combined plan, and $1,216 for the member-directed plan.

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

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

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 after 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 (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a 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, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's 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
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2018 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 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $1,505,609 for 2017. Of this amount, $168,781 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2018, the specific liability of the City was $471,150 payable in semi-annual payments through the year 2035.

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

The net pension liability (asset) for OPERS was measured as of December 31, 2017, and the total pension liability 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, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. 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 of the City's defined benefit pension plans:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.037695%	0.033554%	0.3203530%	
Prior Measurement Date	0.036558%	0.032589%	0.3200380%	
Change in Proportionate Share	0.001137%	0.000965%	0.0003150%	
Proportionate Share of the:				
Net Pension Liability	$5,913,615	$0	$19,661,511	$25,575,126
Net Pension Asset	0	45,678	0	45,678
Pension Expense	1,101,786	(28,387)	2,060,210	3,133,609

2018 pension expense for the member-directed defined contribution plan was $14,341.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	$6,039	$0	$298,377	$304,416
Changes of assumptions	706,717	3,992	856,756	1,567,465
Changes in proportion and differences between City contributions and proportionate share of contributions	120,340	0	15,157	135,497
City contributions subsequent to the measurement date	760,862	19,802	1,505,609	2,286,273
Total Deferred Outflows of Resources	$1,593,958	$23,794	$2,675,899	$4,293,651
Deferred Inflows of Resources				
Differences between expected and actual experience	$116,538	$13,608	$35,568	$165,714
Net difference between projected and actual earnings on pension plan investments	1,269,575	7,207	680,137	1,956,919
Changes in proportion and differences between City contributions and proportionate share of contributions	164,477	468	1,095,506	1,260,451
Total Deferred Inflows of Resources	$1,550,590	$21,283	$1,811,211	$3,383,084

$2,286,273 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2019	$438,572	($2,347)	$212,167	$648,392
2020	(75,327)	(2,545)	33,353	(44,519)
2021	(559,054)	(4,159)	(671,106)	(1,234,319)
2022	(521,685)	(3,988)	(470,977)	(996,650)
2023	0	(1,458)	202,249	200,791
Thereafter	0	(2,794)	53,393	50,599
Total	($717,494)	($17,291)	($640,921)	($1,375,706)

Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented below.

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month.

Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

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 2017 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 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. 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.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (6.5 percent) or one-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
County's proportionate share of the net pension liability (asset)			
OPERS Traditional Plan	$10,501,073	$5,913,615	$2,089,057
OPERS Combined Plan	(24,830)	(45,678)	(60,062)

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net pension liability (asset) is not known.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, 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 the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented below.

	January 1, 2017	January 1, 2016
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 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	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, 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

For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

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

For the January 1, 2016 valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five year period ended December 31, 2016, the prior experience study was completed December 31, 2011.

The long-term expected rate of return on 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 expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.
* levered 2x

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

Discount Rate For 2017, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2016 was 8.25 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	$27,256,009	$19,661,511	$13,467,502

Note 20 - Postemployment Benefits

See Note 19 for a description of the net OPEB liability

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, 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.

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 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 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 $4,097 for 2018. Of this amount, $486 is reported as an intergovernmental payable.

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.

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 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contractually required contribution to OP&F was $35,909 for 2018. Of this amount, $4,020 is reported as an intergovernmental payable.

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, 2016, rolled forward to the measurement date of December 31, 2017, 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, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.036850%	0.3203530%	
Prior Measurement Date	0.029310%	0.3200380%	
Change in Proportionate Share	0.0075400%	0.0003150%	
Proportionate Share of the Net Pension Liability	$4,001,639	$18,150,751	$22,152,390
OPEB Expense	$584,813	$1,443,357	$2,028,170

At December 31, 2018, 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	$3,117	$0	$3,117
Changes of assumptions	291,362	1,771,127	2,062,489
Changes in proportion and differences between City contributions and proportionate share of contributions	515,231	0	515,231
City contributions subsequent to the measurement date	4,097	35,909	40,006
Total Deferred Outflows of Resources	$813,807	$1,807,036	$2,620,843
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$91,545	$91,545
Net difference between projected and actual earnings on OPEB plan investments	298,095	119,476	417,571
Changes in proportion and differences between City contributions and proportionate share of contributions	0	9,057	9,057
Total Deferred Inflows of Resources	$298,095	$220,078	$518,173

$40,006 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 2019. 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:			
2019	$312,601	$214,360	$526,961
2020	312,601	214,360	526,961
2021	(39,064)	214,360	175,296
2022	(74,523)	214,360	139,837
2023	0	244,229	244,229
Thereafter	0	449,380	449,380
Total	$511,615	$1,551,049	$2,062,664

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, 2016, rolled forward to the measurement date of December 31, 2017. 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	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

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

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

The long-term 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 2017, 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 15.2 percent for 2017.

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

Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 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 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. 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 6.50 percent and a municipal bond rate of 3.31 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 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 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 (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	$5,316,350	$4,001,639	$2,938,051

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 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 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	$3,828,715	$4,001,639	$4,180,264

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net OPEB liability is not known.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
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:	
Currrent measurement date	3.24 percent
Prior measurement date	3.79 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 prior experience study was completed December 31, 2011.

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 19.

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 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 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 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.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate.

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	$22,688,659	$18,150,751	$14,659,000

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. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the net OPEB liability calculated using the current healthcare cost trend current rates as outlined in the table above, a one percent decrease in the trend rates and a one percent increase in the trend rates.

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	$14,099,831	$18,150,751	$23,610,023

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, 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 impact to the City's NOL is not known.

Note 21 – Significant Commitments

Encumbrances

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

Governmental Funds:	
General	$596,038
Street Improvement	147,504
Storm and Sewer	197,398
Other Governmental Funds	107,260
Total	$1,048,200

Contractual Commitments

At December 31, 2018, the City's significant commitments consisted of retainage payables of $191,325 to Fabrizi Construction for the Multi-Street Construction project and $84,921 to DiGiora Construction for the Midwest neighborhood phase 1 project.

Note 22 – Change in Accounting Principle and Restatement of Net Position

For fiscal year 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus* 2017, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions,* and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting).*

For 2018, the City also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

	Governmental Activities
Net Position December 31, 2017	$13,894,246
Adjustments:	
Net OPEB Liability	(18,151,894)
Deferred Outflow - Payments Subsequent to Measurement Date	90,338
Restated Net Position December 31, 2017	($4,167,310)

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 23 – Subsequent Event

On June 18, 2019, the City refinanced $2,200,000 in special obligation income tax street improvement notes and issued $2,100,000 in new street improvement income tax bond anticipation notes. The new notes have a maturity date of June 18, 2020, and an interest rate of 2.75 percent.

City of Garfield Heights, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Liability
Ohio Public Employees Retirement System - Traditional Plan
Last Five Years (1)

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.037695%	0.036558%	0.039923%	0.042372%	0.042372%
City's Proportionate Share of the Net Pension Liability	$5,913,615	$8,299,768	$6,915,167	$5,110,537	$4,995,107
City's Covered Payroll	$4,981,392	$4,725,875	$4,968,771	$5,194,867	$5,248,508
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.71%	175.62%	139.17%	98.38%	95.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available. An additional column will be added each year

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

See accompanying notes to the required supplementary information.

City of Garfield Heights, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net Pension Asset
Ohio Public Employees Retirement System - Combined Plan
2018 (1)

	2018
City's Proportion of the Net Pension Asset	0.033554%
City's Proportionate Share of the Net Pension Asset	$45,678
City's Covered Payroll	$137,423
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Asset	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

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

See accompanying notes to the required supplementary information.

City of Garfield Heights, Ohio

Required Supplementary Information
Schedule of the City's Proportionate Share of the
Net OPEB Liability
Ohio Public Employees Retirement System - OPEB Plan
Last Two Years (1)

	2018	2017
City's Proportion of the Net OPEB Liability	0.036850%	0.029310%
City's Proportionate Share of the Net OPEB Liability	$4,001,639	$2,960,410
City's Covered Payroll	$5,219,090	$4,797,500
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.67%	61.71%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year.

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

See accompanying notes to the required supplementary information.

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

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.3203530%	0.3200380%	0.3429730%	0.3532464%	0.3532464%
City's Proportionate Share of the Net Pension Liability	$19,661,511	$20,270,887	$22,063,695	$18,299,637	$17,204,208
City's Covered Payroll	$7,027,815	$6,844,666	$7,112,704	$7,023,557	$7,305,117
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	279.77%	296.16%	310.20%	260.55%	235.51%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	73.00%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2014 is not available.
An additional column will be added each year

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

See accompanying notes to the required supplementary information.

City of Garfield Heights, Ohio

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

	2018	2017
City's Proportion of the Net OPEB Liability	0.3203530%	0.3200380%
City's Proportionate Share of the Net OPEB Liability	$18,150,751	$15,191,484
City's Covered Payroll	$7,027,815	$6,844,666
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	258.27%	221.95%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Although this schedule is intended to reflect information for ten years, information prior to 2017 is not available. An additional column will be added each year

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

See accompanying notes to the required supplementary information.

City of Garfield Heights, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Six Years (1) (2)

	2018	2017	2016
Net Pension Liability - Traditional Plan			
Contractually Required Contribution	$760,862	$647,581	$567,105
Contributions in Relation to the Contractually Required Contribution	(760,862)	(647,581)	(567,105)
Contribution Deficiency (Excess)	$0	$0	$0
City Covered Payroll	$5,434,729	$4,981,392	$4,725,875
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%
Net Pension Liability - Combined Plan (4)			
Contractually Required Contribution	$19,802	$17,865	$13,048
Contributions in Relation to the Contractually Required Contribution	(19,802)	(17,865)	(13,048)
Contribution Deficiency (Excess)	$0	$0	$0
City Covered Payroll	$141,443	$137,423	$108,733
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%
Net OPEB Liability - OPEB Plan (2)			
Contractually Required Contribution	$4,097	$55,199	$97,383
Contributions in Relation to the Contractually Required Contribution	(4,097)	(55,199)	(97,383)
Contribution Deficiency (Excess)	$0	$0	$0
City Covered Payroll (3)	$5,678,597	$5,219,090	$4,797,500
OPEB Contributions as a Percentage of Covered Payroll	0.07%	1.06%	2.03%

(1) Information prior to 2013 is not available.
(2) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.
(3) The OPEB plan includes the members from the traditional plan, the combined plan and the member directed plan. The member directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.
(4) Information prior to 2015 is not available.

See accompanying notes to the required supplementary information.

2015	2014	2013
$596,253	$523,384	$682,306
(596,253)	(523,384)	(682,306)
$0	$0	$0
$4,968,771	$5,194,867	$5,248,508
12.00%	10.08%	13.00%

2015
$9,296
(9,296)
$0
$77,467
12.00%

City of Garfield Heights, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$1,505,609	$1,479,310	$1,439,987	$1,498,031
Contributions in Relation to the Contractually Required Contribution	(1,505,609)	(1,479,310)	(1,439,987)	(1,498,031)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll (1)	$7,181,807	$7,027,815	$6,844,666	$7,112,702
Pension Contributions as a Percentage of Covered Payroll	20.96%	21.05%	21.04%	21.06%
Net OPEB Liability				
Contractually Required Contribution	$35,909	$35,139	$34,223	$35,564
Contributions in Relation to the Contractually Required Contribution	(35,909)	(35,139)	(34,223)	(35,564)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%
Total Contributions as a Percentage of Covered Payroll	21.46%	21.55%	21.54%	21.56%

(1) The City's covered payroll is the same for Pension and OPEB.

See accompanying notes to the required supplementary information.

2014	2013	2012	2011	2010	2009
$1,478,313	$1,307,650	$1,047,948	$1,029,217	$1,102,168	$1,077,114
(1,478,313)	(1,307,650)	(1,047,948)	(1,029,217)	(1,102,168)	(1,077,114)
$0	$0	$0	$0	$0	$0
$7,023,557	$7,305,117	$7,119,971	$6,982,183	$7,519,389	$7,337,690
21.05%	17.90%	14.72%	14.74%	14.66%	14.68%
$35,118	$47,293	$70,736	$69,472	$74,397	$72,705
(35,118)	(47,293)	(70,736)	(69,472)	(74,397)	(72,705)
$0	$0	$0	$0	$0	$0
0.50%	0.65%	0.99%	0.99%	0.99%	0.99%
21.55%	18.55%	15.71%	15.73%	15.65%	15.67%

Changes in Assumptions – OPERS Pension

Amounts reported beginning in 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented below:

	2017	2016 and prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

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

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

Changes in Assumptions – OP&F Pension

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

	2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 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	3.00 percent simple; 2.6 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

Changes in Assumptions – OPERS OPEB

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

Changes in Assumptions – OP&F OPEB

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

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

Members of the City Council
City of Garfield Heights, Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Garfield Heights, Ohio (the "City"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 30, 2020, wherein we noted that the City implemented Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* and as a result restated their December 31, 2017 net position of the governmental activities, as disclosed in Note 22.

Internal Control over Financial Reporting

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

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

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

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Members of the City Council
City of Garfield Heights, Ohio

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2018-001.

City's Response to Findings

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

Purpose of this Report

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

Ciuni + Panichi, Inc.

Cleveland, Ohio
January 30, 2020

City of Garfield Heights, Ohio

Schedule of Findings

For the Year Ended December 31, 2018

1. Summary of Auditor's Results

(d)(1)(i)	Type of Financial Statement Opinion	Unmodified
(d)(1)(ii)	Was there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS

2018-001 - Material noncompliance – Budgetary Noncompliance:

Ohio Rev. Code Section 5705.39 prohibits a political subdivision from making a fund appropriation in excess of estimated resources available for expenditure from the fund. In addition, Ohio Rev. Code 5705.40 states that any appropriation measure may be amended or supplemented as long as the entity complies with the same provisions of the law as are used in making the original appropriation.

The following funds had original appropriations in excess of estimated resources available for expenditure during the year ended December 31, 2018:

Fund	Excess
Major Funds:	
General Fund	$ (6,735,402)
Non-major Special Revenue Funds:	
Street Lighting Fund	(3,161)
Police Pension Fund	(41,908)
Fire Pension Fund	(58,063)
Street Construction, Maintenance and Repair Fund	(779,796)
State Highway Fund	(5,082)
GH Family Resource Fund	(5,380)
Bond Retirement Fund	(47,658)

The following fund had final appropriations in excess of estimated resources available for expenditure during the year ended December 31, 2018:

Fund	Excess
Non-major Special Revenue Fund:	
Police Pension Fund	$ (52)

2. Findings Related to the Financial Statements Required to be Reported in Accordance With GAGAS (continued)

2018-001 - Material noncompliance – Budgetary Noncompliance (continued):

This noncompliance could allow expenditures to exceed total available fund balance plus current year revenues, which would result in a negative fund balance.

Contrary to Section 5705.41 (B), Ohio Revised Code, the following funds and departments had expenditures plus encumbrances in excess of appropriations:

Fund		Excess
Bond Retirement Fund	$	(20,359)

Recommendation:
We recommend the City review appropriations versus expenditures and estimated resources, on an ongoing basis, to ensure appropriations do not exceed estimated resources available and to ensure expenditures plus encumbrances do not exceed appropriations for each of its funds and make the necessary revisions to the budget and submit the revised budget to the County Fiscal Officer in order to comply with legal budgetary requirements.

Management's Response:
Management will compare original and final appropriations to original and final estimated resources plus carryover balances on a monthly basis to ensure estimated resources plus carryover balances are not exceeded or budgetary adjustments are made. Management will also compare appropriations with expenditures plus encumbrances on a monthly basis to ensure appropriations are not exceeded or budgetary adjustments are made.

City of Garfield Heights, Ohio

Schedule of Prior Year Findings

For the Year Ended December 31, 2018

Finding No.	Finding Summary	Fully Corrected	Explanation
2017-001	***Material Weakness in internal control over financial reporting:*** We noted the City posted an adjustment that restated cash with fiscal agents, intergovernmental payable, and intergovernmental receivable for prior year amounts not properly recorded. The City will complete an assessment of the above adjustments and ensure the proper controls are in place to mitigate their reoccurrence. Also, the City will ensure that the financial impact of changes in third party vendors is assessed.	See comment in explanation	Similar adjustments were not needed in 2018. However, this was a biannual audit and the 2017 and 2018 audits were conducted simultaneously and the reports, including findings, were issued simultaneously. Management has indicated that corrective action will be completed by December 31, 2020.

The City of Garfield Heights

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OFFICE OF THE FINANCE DIRECTOR

Garfield Heights
Founded 1919
A Caring Community

City of Garfield Heights, Ohio

Corrective Action Plan

For the Year Ended December 31, 2018

Finding No.	Finding Summary	Anticipated Completion Date	Responsible Contact Person
2018-001	Management will compare original and final appropriations to original and final estimated resources plus carryover balances on a monthly basis to ensure estimated resources plus carryover balances are not exceeded or budgetary adjustments are made. Management will also compare appropriations with expenditures plus encumbrances on a monthly basis to ensure appropriations are not exceeded or budgetary adjustments are made.	December 31, 2020	Barb Biro, Finance Director

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF GARFIELD HEIGHTS

CUYAHOGA COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 19, 2020