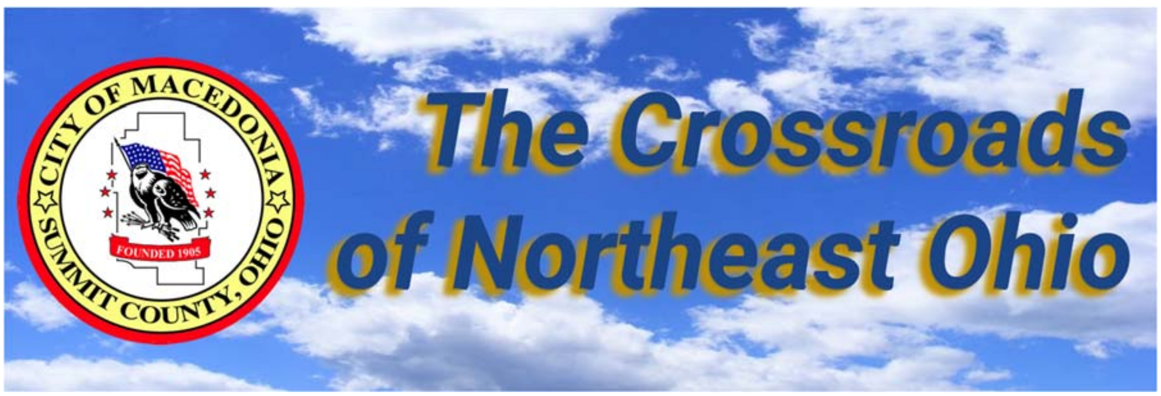
CITY OF MACEDONIA

Summit County, Ohio



Basic Financial Statements

December 31, 2019

PLATTENBURG
Certified Public Accountants

OHIO AUDITOR OF STATE
KEITH FABER

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(800) 282-0370

Members of Council
City of Macedonia
9691 Valley View Road
Macedonia, Ohio 44056

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

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

Keith Faber
Auditor of State
Columbus, Ohio

September 3, 2020

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INDEPENDENT AUDITOR'S REPORT

City of Macedonia
Summit County
9691 Valley View Road
Macedonia, Ohio 44056

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 Macedonia (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As discussed in Note 22 to the financial statements, during 2020, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and schedules of pension information and other postemployment information 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 July 29, 2020, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cleveland, Ohio
July 29, 2020

The management's discussion and analysis of the City of Macedonia's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2019 are:

- City income tax revenue totaled $13,087,897. This is an increase of $2,145,004 or 19.60% from 2018. The City had a 2.50% municipal income tax rate throughout the year.
- Total assets increased by $2,444,903, a 3.30% increase from 2018.
- Total net position increased by $6,307,660, a 19.70% increase from 2018.
- Total capital assets, net of depreciation increased $1,935,186, a 3.40% increase from 2018.
- Total outstanding long-term liabilities decreased $181,324, a 0.40% decrease from 2018.
- The total governmental fund balances for the City increased from $10,695,981 to $11,619,621.
- The general fund ended the year with a fund balance of $6,546,523.

Using This Annual Financial Report

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

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

Reporting the City of Macedonia as a Whole

Statement of Net Position and Statement of Activities

This document contains information about the funds used by the City to provide services to our citizens. The s*tatement of net position* and the s*tatement of activities* answer the question, "How did the City do financially during 2019?" These statements include all assets and liabilities and deferred outflows of resources and deferred inflows of resources, except fiduciary funds, using the accrual basis of accounting similar to the accounting method used by the private sector. The basis of this accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in net position. The changes in net position are important because it tells the reader whether the financial position of the City as a whole 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 the City's capital assets will also need to be evaluated.

The s*tatement of net position* and the s*tatement of activities* are divided into the following categories:

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

Reporting the City of Macedonia's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds to account for the services, facilities and infrastructure provided to its residents. These fund financial statements focus on the City's most significant funds. In the case of the City of Macedonia, the major funds are the general fund, the special assessment bond retirement fund, and the road program fund.

Governmental Funds

Most of the City's activities are reported in the governmental funds. Governmental funds are reported using an accounting method called modified accrual accounting. The modified accrual accounting method measures cash and all other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Government 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 our residents. The relationship (or differences) between governmental activities (reported in the s*tatement of net position* and the s*tatement of activities*) and governmental funds is reconciled in the financial statements.

Fiduciary Funds

The City uses fiduciary funds to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's Schedule of Revenues, Expenditures and Changes in Fund Balance Budget and Actual (Non-GAAP Budgetary Basis), net pension liability and net OPEB liability. The required supplementary information can be found later in this report.

The City of Macedonia as a Whole

The statement of net position provides the perspective of the City as a whole. Table 1 below provides a summary of the City's net position at December 31, 2019, and December 31, 2018.

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Table 1
Net Position

	Governmental Activities		
	2019	2018	Change
Assets			
Current assets	$17,806,214	$17,296,497	$509,717
Capital assets, net	59,030,431	57,095,245	1,935,186
Total assets	76,836,645	74,391,742	2,444,903
Deferred outflows of resources			
OPEB	1,575,223	1,721,246	(146,023)
Pension	6,131,591	3,479,893	2,651,698
Total deferred outflows of resources	7,706,814	5,201,139	2,505,675
Liabilities			
Current liabilities	807,533	1,483,353	(675,820)
Long-term liabilities:			
Due within one year	1,649,165	1,322,079	327,086
Net pension liability	19,579,753	13,856,990	5,722,763
Net OPEB liability	4,565,479	11,719,068	(7,153,589)
Other amounts	16,533,300	15,610,884	922,416
Total liabilities	43,135,230	43,992,374	(857,144)
Deferred inflows of resources			
Property and income taxes	1,942,331	1,915,396	26,935
OPEB	716,557	324,885	391,672
Pension	423,293	1,341,838	(918,545)
Total deferred inflows of resources	3,082,181	3,582,119	(499,938)
Net Position			
Net investment in capital assets	42,093,459	42,604,559	(511,100)
Restricted	5,042,255	5,541,379	(499,124)
Unrestricted (deficit)	(8,809,666)	(16,127,550)	7,317,884
Total net position	$38,326,048	$32,018,388	$6,307,660

The largest portion of the City's net position is investments in capital assets (e.g. land, right of ways, construction in progress, buildings and improvements, machinery and equipment, vehicles, and infrastructure), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Total assets and deferred outflows of resources increased $4,950,578 from 2018 to 2019. The City's total liabilities and deferred inflows of resources decreased $1,357,082 for the same period. The change in current assets can be attributed to the increase in taxes receivable.

Table 2 below shows the changes in net position for fiscal years 2019 and 2018.

Table 2
Change in Net Position

	Governmental Activities 2019	Governmental Activities 2018	Change
Revenues			
Program revenues:			
Charges for services	$4,377,233	$4,090,913	$286,320
Operating grants and contributions	1,255,436	859,037	396,399
Capital grants and contributions	169,145	87,963	81,182
Total program revenues	5,801,814	5,037,913	763,901
General revenues:			
Property taxes	2,149,722	2,361,216	(211,494)
Payment in Lieu of Taxes	714,801	630,569	84,232
Income taxes	13,087,897	10,942,893	2,145,004
Unrestricted grants and entitlements	524,458	525,367	(909)
Investment earnings	191,740	88,112	103,628
Miscellaneous	472,203	827,973	(355,770)
Total general revenues	17,140,821	15,376,130	1,764,691
Total revenues	22,942,635	20,414,043	2,528,592
Expenses:			
General government	2,548,015	3,232,403	(684,388)
Public safety	7,624,377	9,345,644	(1,721,267)
Community development	839,857	1,315,586	(475,729)
Leisure time activity	1,509,758	2,971,629	(1,461,871)
Transportation and street repair	2,217,790	3,668,803	(1,451,013)
Basic utility services	857,004	732,699	124,305
Public health and welfare	217,024	217,122	(98)
Interest and other charges	821,150	559,723	261,427
Total expenses	16,634,975	22,043,609	(5,408,634)
Change in net position	6,307,660	(1,629,566)	7,937,226
Net position at beginning of year	32,018,388	33,647,954	(1,629,566)
Net position at end of year	$38,326,048	$32,018,388	$6,307,660

Governmental Activities

The City's net position for governmental activities increased $6,307,660 during 2019. Table 2 indicates total revenues increased by $2,528,592. At the same time program expenses decreased by $5,408,634. The increase in revenue is primarily a result of increase in income tax revenue.

Several types of revenues fund our governmental activities. With the City, income tax is a major revenue source. The income tax rate was 2.50% throughout the year. Both residents of the City and non-residents who work inside the City are subject to the income tax. However if residents work in a locality that has a municipal income tax, the City provides 100.00% credit up to 2.50% for those who pay income tax to another city. City Council could by Ordinance, choose to vary that income tax credit and create additional revenues for the City. A resident can apply for a 0.25% refund of income tax paid to the city.

Total program revenues for 2019 increased by $763,901. Operating grants and contributions increased $396,399, capital grants and contributions increased $81,182 and charges for services and sales increased $286,320.

Total general revenues for 2019 increased by $1,764,691 compared to 2018. This increase is mainly due to the increase in income tax revenues for 2019. The miscellaneous revenues for 2019 were $472,203. Of the $22,942,635 in total revenues, income tax accounts for 57.00% of the total governmental revenues. Property taxes for 2019 were $2,149,722.

During 2019, the City experienced a 24.50% decrease in its program expenses. The largest program function for the City normally relates to public safety expenses. Public safety expenses decreased 18.40% in 2019. General government expenses which account for the basic operations of the City including council, mayor, finance, law, purchasing, civil service, engineering, and building maintenance among other departments and services, had expenses of $2,458,015 for 2019.

The City's Funds

The City of Macedonia uses fund accounting as mandated by governmental legal requirements. The importance of accounting and reporting using this method is to demonstrate compliance with these finance related requirements.

Governmental Funds

These funds are accounted for by using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of $28,261,572 and expenditures and other financing uses of $27,339,689. Income tax is the City's largest revenue source.

The largest fund for the City is the general fund. The year-end fund balance for the general fund was $6,546,523 on a modified accrual basis. This is an increase of $1,782,875 from the 2018 ending balance.

The special assessment bond retirement fund ended the year with a fund balance of ($32,693). This is a decrease of $61,048 from the year-end balance in 2018.

The Road Program Fund ended the year with a fund balance of $2,160,033. This is a decrease in fund balance of $763,764 from 2018.

For all other governmental funds, the end of year fund balance decreased to $2,945,758 in 2019.

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. Recommendations and requests for budget changes are referred to the Finance Committee before going to the formal Council meeting for ordinance enactment on the change. The Finance Director provides the administration and City Council with monthly reports on revenues and expenditures. This provides all parties with information on revenue and expenditure levels, trends, budgeted versus actual amounts and recommendations on any changes in policy or execution that may be required.

The general fund supports most of the City's major activities such as the police, fire, building, and service departments as well as the legislative and most executive activities. For the general fund, the original budgeted revenues were $13,364,532 and the final budgeted revenues were $15,107,487. Actual revenues of $14,623,412 were $484,075 less than the final budget.

The original budget estimated expenditures and other financing uses were $14,767,594 and the final budgeted expenditures and other financing uses were $15,481,530. Actual expenditures and other financing uses were $14,316,570. Actual expenditures were $1,164,960 less than the final budget.

Capital Assets and Long-Term Obligations

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

	Governmental Activities	
	2019	2018
Land	$8,415,883	$8,415,883
Construction in Progress	55,336	335,813
Buildings and Improvements	8,991,291	8,880,782
Machinery and Equipment	4,179,273	2,784,580
Infrastructure	37,388,648	36,678,187
Totals	$59,030,431	$57,095,245

Total capital assets, net of depreciation for governmental activities of the City for 2019 were $59,030,431 a $1,935,186 increase from the 2018 balance. The increase is primarily due to purchases of infrastructure in 2019. See Note 8 of the basic financial statements for additional information on capital assets.

Long-Term Obligations

On December 31, 2019, the City of Macedonia had $13,685,000 in general obligation bonds, $582,900 in special assessment bonds, $931,678 in lease purchase agreements, $932,394 in OPWC loans, and $297,000 in SIB loans outstanding.

Table 4
Outstanding Long-Term Obligations at End of Year

	Governmental	
	2019	2018
General Obligation Bonds	$13,685,000	$12,850,000
Special Assessment Bonds	582,900	687,500
Lease purchase agreements	931,678	1,108,440
OPWC Loan	932,394	288,555
SIB Loans	297,000	357,767
Totals	$16,428,972	$15,292,262

See Notes 12 and 13 of the basic financial statements for additional information on debt.

Current Financial Related Activities

The Administration and City Council have committed the City to financial excellence and work hard at maximizing efficiencies and keeping the City's debt obligations at a minimum.

In 2019, the General fund expenditures plus year end encumbrances totaled $14,316,570. This was $1,164,960 below the General fund budget of $15,481,530. In addition, the city ended 2019 with an unencumbered General fund cash balance of $2,615,587.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the City's finances and show the City's accountability for all money it receives, spends or invests. If you have any questions about this report or need additional financial information contact John M. Veres, CPA, Director of Finance, 9691 Valley View Road, Macedonia, Ohio 44056, telephone (330) 468-8350 or the City website at www.macedonia.oh.us.

City of Macedonia, Ohio
Statement of Net Position
December 31, 2019

	Governmental Activities
Assets:	
Equity in Pooled Cash and Investments	$9,064,338
Receivables (Net):	
Taxes	6,442,894
Accounts	481,146
Interest	9,491
Intergovernmental	783,074
Special Assessments	682,969
Inventory	177,450
Prepaid Items	164,852
Nondepreciable Capital Assets	8,471,219
Depreciable Capital Assets, Net	50,559,212
Total Assets	76,836,645
Deferred Outflows of Resources:	
Pension	6,131,591
OPEB	1,575,223
Total Deferred Outflows of Resources	7,706,814
Liabilities:	
Accounts Payable	179,390
Accrued Wages and Benefits	502,345
Contracts Payable	63,825
Accrued Interest Payable	61,973
Long-Term Liabilities:	
Due Within One Year	1,649,165
Due In More Than One Year	
Net Pension Liability	19,579,753
Net OPEB Liability	4,565,479
Other Amounts	16,533,300
Total Liabilities	43,135,230
Deferred Inflows of Resources:	
Property and Income Taxes	1,942,331
OPEB	716,557
Pension	423,293
Total Deferred Inflows of Resources	3,082,181
Net Position:	
Net Investment in Capital Assets	42,093,459
Restricted for:	
Debt Service	578,242
Capital Projects	2,811,279
Street Construction and Maintenance	942,069
Fire services	14,044
Police Services and Programs	463,516
Other Purposes	233,105
Unrestricted	(8,809,666)
Total Net Position	$38,326,048

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
Statement of Activities
For the Fiscal Year Ended December 31, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General Government	$2,548,015	$637,076	$175,686	$0	($1,735,253)
Public Safety	7,624,377	2,459,171	106,790	0	(5,058,416)
Community Development	839,857	245,300	0	0	(594,557)
Leisure Time Activities	1,509,758	749,018	43,374	41,376	(675,990)
Transportation and Street Repair	2,217,790	800	834,281	127,769	(1,254,940)
Basic Utility Service	857,004	208,417	12,372	0	(636,215)
Public Health and Welfare	217,024	77,451	82,933	0	(56,640)
Interest and Other Charges	821,150	0	0	0	(821,150)
Totals	$16,634,975	$4,377,233	$1,255,436	$169,145	(10,833,161)

General Revenues:	
Income Taxes	13,087,897
Property Taxes Levied for:	
General Purposes	2,038,077
Special Revenue Purposes	111,645
Grants and Entitlements, Not Restricted	524,458
Revenue in Lieu of Taxes	714,801
Investment Earnings	191,740
Other Revenues	472,203
Total General Revenues	17,140,821
Change in Net Position	6,307,660
Net Position - Beginning of Year	32,018,388
Net Position - End of Year	$38,326,048

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
Balance Sheet
Governmental Funds
December 31, 2019

	General	Special Assessment Bond Retirement	Road Program Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	$4,554,125	$0	$1,964,471	$2,545,742	$9,064,338
Receivables (Net):					
Taxes	5,373,719	0	575,170	494,005	6,442,894
Accounts	475,341	0	0	5,805	481,146
Interest	9,491	0	0	0	9,491
Intergovernmental	273,995	0	0	509,079	783,074
Special Assessments	78,597	603,075	0	1,297	682,969
Interfund	32,693	0	0	0	32,693
Inventory	5,030	0	0	172,420	177,450
Prepaid Items	127,517	0	0	37,335	164,852
Total Assets	10,930,508	603,075	2,539,641	3,765,683	17,838,907
Liabilities:					
Accounts Payable	63,446	0	52,103	63,841	179,390
Accrued Wages and Benefits	360,453	0	0	141,892	502,345
Contracts Payable	0	0	63,825	0	63,825
Interfund Payable	0	32,693	0	0	32,693
Total Liabilities	423,899	32,693	115,928	205,733	778,253
Deferred Inflows of Resources:					
Property and Income Taxes	3,445,966	0	263,680	302,318	4,011,964
Grants and Other Taxes	65,046	0	0	310,577	375,623
Special Assessments	78,597	603,075	0	1,297	682,969
Accounts	370,477	0	0	0	370,477
Total Deferred Inflows of Resources	3,960,086	603,075	263,680	614,192	5,441,033
Fund Balances:					
Nonspendable	145,526	0	0	209,755	355,281
Restricted	0	0	2,160,033	1,664,972	3,825,005
Committed	544,925	0	0	1,093,464	1,638,389
Assigned	1,215,261	0	0	0	1,215,261
Unassigned	4,640,811	(32,693)	0	(22,433)	4,585,685
Total Fund Balances	6,546,523	(32,693)	2,160,033	2,945,758	11,619,621
Total Liabilities, Deferred Inflows and Fund Balances	$10,930,508	$603,075	$2,539,641	$3,765,683	$17,838,907

See accompanying notes to the basic financial statements.

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

Total Governmental Fund Balance		$11,619,621
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.		
Capital assets used in the operation of Governmental Funds		59,030,431
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Income Taxes	2,028,306	
Delinquent Property Taxes	41,327	
Intergovernmental	375,623	
Other Receivables	1,053,446	
		3,498,702
In the statement of net position interest payable is accrued when incurred; whereas, in the governmental funds interest is reported as a liability only when it will require the use of current financial resources.		(61,973)
Some liabilities reported in the statement of net position do not require the use of current financial resources and, therefore, are not reported as liabilities in governmental funds.		
Compensated Absences		(1,245,493)
Deferred outflows and inflows or resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	6,131,591	
Deferred outflows of resources related to OPEB	1,575,223	
Deferred inflows of resources related to pensions	(423,293)	
Deferred inflows of resources related to OPEB	(716,557)	
		6,566,964
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net Pension Liability	(19,579,753)	
Net OPEB Liability	(4,565,479)	
Other Amounts	(16,936,972)	
		(41,082,204)
Net Position of Governmental Activities		$38,326,048

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
Statement of Revenues, Expenditures
and Changes in Fund Balance
Governmental Funds
For the Fiscal Year Ended December 31, 2019

	General	Special Assessment Bond Retirement	Road Program Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property and Other Taxes	$1,875,036	$0	$0	$121,630	$1,996,666
Income Taxes	9,577,893	0	1,545,922	1,973,803	13,097,618
Charges for Services	2,232,255	0	0	926,389	3,158,644
Investment Earnings	191,740	0	0	0	191,740
Intergovernmental	879,254	0	0	1,367,935	2,247,189
Special Assessments	1,368	227,740	0	31,046	260,154
Fines, Licenses & Permits	632,645	0	0	16,360	649,005
Revenue in Lieu of Taxes	0	0	0	714,801	714,801
Other Revenues	249,383	0	0	246,585	495,968
Total Revenues	15,639,574	227,740	1,545,922	5,398,549	22,811,785
Expenditures:					
Current:					
General Government	3,586,683	3,276	23,129	35,558	3,648,646
Public Safety	7,326,148	0	0	756,339	8,082,487
Community Development	375,602	0	0	2,156,144	2,531,746
Leisure Time Activities	0	0	0	2,152,833	2,152,833
Transportation and Street Repair	0	0	0	1,769,607	1,769,607
Basic Utility Service	103,192	0	0	295,098	398,290
Public Health and Welfare	217,024	0	0	0	217,024
Capital Outlay	0	0	2,443,485	827,438	3,270,923
Debt Service:					
Principal	0	216,548	0	997,029	1,213,577
Interest and Other Charges	0	68,964	0	886,092	955,056
Total Expenditures	11,608,649	288,788	2,466,614	9,876,138	24,240,189
Excess of Revenues Over (Under) Expenditures	4,030,925	(61,048)	(920,692)	(4,477,589)	(1,428,404)
Other Financing Sources (Uses):					
Proceeds of Capital Leases	0	0	0	222,500	222,500
Issuance of Long-Term Capital-Related Debt	0	0	677,787	1,450,000	2,127,787
Transfers In	0	0	0	3,099,500	3,099,500
Transfers (Out)	(2,248,100)	0	(520,859)	(330,541)	(3,099,500)
Total Other Financing Sources (Uses)	(2,248,100)	0	156,928	4,441,459	2,350,287
Net Change in Fund Balance	1,782,825	(61,048)	(763,764)	(36,130)	921,883
Fund Balance - Beginning of Year	4,763,648	28,355	2,923,797	2,980,181	10,695,981
Change in Reserve for Inventory	50	0	0	1,707	1,757
Fund Balance - End of Year	$6,546,523	($32,693)	$2,160,033	$2,945,758	$11,619,621

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2019

Net Change in Fund Balance - Total Governmental Funds		$921,883
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital asset additions 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 of the difference between capital asset additions and depreciation in the current period.		
Capital assets used in governmental activities	4,799,730	
Depreciation Expense	(2,864,544)	
		1,935,186
Governmental funds report City pension/OPEB contributions as expenditures. However in the Statement of Activites, the cost of pension/OPEB benefits earned net of employee contributions is reported as pension/OPEB expense.		
City pension contributions	1,309,448	
Cost of benefits earned net of employee contributions - Pension	(3,461,968)	
City OPEB contributions	18,866	
Cost of benefits earned net of employee contributions - OPEB	6,597,028	
		4,463,374
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income Taxes	(9,721)	
Delinquent Property Taxes	(10,613)	
Intergovernmental	89,849	
Other	61,335	
		130,850
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		1,213,577
In the statement of activities interest expense is accrued when incurred; whereas, in governmental funds an interest expenditure is reported when due.		104,112
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	(142,586)	
Amortization of Bond Premium	29,794	
Change in Inventory	1,757	
		(111,035)
Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net position.		(2,350,287)
Change in Net Position of Governmental Activities		$6,307,660

See accompanying notes to the basic financial statements.

City of Macedonia, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2019

	Agency
Assets:	
Equity in Pooled Cash and Investments	$591,895
Receivables (Net):	
Taxes	107,314
Total Assets	699,209
Liabilities:	
Accounts Payable	10,450
Accrued Wages and Benefits	28,359
Deposits held and due to others	660,400
Total Liabilities	$699,209

See accompanying notes to the basic financial statements.

Note 1 - Description of the City and Reporting Entity

The City of Macedonia (the "City") is a charter municipal corporation duly organized and existing under the constitution and laws of the State of Ohio. The City may exercise all powers of local self-government and police powers to the extent it is not in conflict with applicable general laws. A charter was first adopted by the electorate at a general election held in 1972. The City operates under its own charter and is governed by a Mayor-Council form of government with the Mayor appointing the Finance Director and department heads, with Council approval and Council appointing the Clerk of Council. Officials include five Council members and a Mayor elected to four-year terms.

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, departments, boards and agencies that are not legally separate from the City. For the City of Macedonia, this includes the departments and agencies that provide the following services: police, fire, street maintenance, planning and zoning, emergency medical technicians, parks and recreation system, public improvements department, general administrative services and mayor's court.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's Governing Board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. The City has no component units.

The City is associated with two jointly governed organizations, the Northeast Ohio Public Energy Council and the Regional Council of Governments (Note 14) and one joint venture, the Northfield Center Township - Macedonia Joint Economic Development District (Note 15).

Note 2 - Summary of Significant Accounting Policies

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

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 reports two categories of funds: governmental and fiduciary.

Governmental Funds - Governmental funds are those through which most governmental functions are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities and deferred inflows of resources are assigned to the fund from which they will be paid. The difference between governmental fund assets 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 is the operating fund of the City and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the charter of the City of Macedonia and/or the general laws of Ohio.

Special Assessment Bond Retirement – The special assessments bond retirement fund accounts for accumulation of resources that are restricted to pay principal and interest on special assessment debt.

Road Program Fund – The road program fund accounts for the improvement of roads in the city.

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

Fiduciary Funds - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for deposits pledged by contractors and citizens; building assessment fees collected for the Ohio Board of Building Standards; a payroll revolving fund that accounts for net payroll and related deductions for distribution; an escrow account for various projects; a Joint Economic Development District with Northfield Center Township; community room security deposits; EMS fees collected on behalf of Boston Heights; and mayor's court bonds.

Measurement Focus

Government-wide Financial Statements - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position. The statement of activities presents increases (i.e. revenues) and decreases (i.e. 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 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 reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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 fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, are 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.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. 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 tax, State-levied locally shared taxes (including gasoline tax and motor vehicle license fees), interest, grants, fees and rentals.

Deferred Outflows of Resources and Deferred Inflows of Resources - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, 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 have been reported on the government-wide statements for the following items related to the City’s net pension liability and net OPEB liability: (1) the net difference between projected and actual investment earnings on pension/OPEB plan assets, (2) the City’s contributions to the pension/OPEB systems subsequent to the measurement date and (3) differences between employer’s contributions and the employer’s proportional share of contributions. For more pension and OPEB related information, see Notes 10 and 11.

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, grants, payments in lieu of taxes, special assessments, accounts receivable, OPEB and pension. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Accounts receivable, grants and special assessments are reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows related to pension and OPEB are reported on the government-wide statement of net position. For more pension and OPEB related information, see Notes 10 and 11.

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.

Budgetary Process

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the alternate tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The alternate 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 budgetary control is at the department level and object level of personal services, operating and capital outlay for the general, street construction, maintenance and repair, parks, and family recreation funds, at the line item level for the capital improvements fund, and at the fund level for all other funds. Budgetary modifications may only be made by resolution of the City Council at the legal level of control. More detailed allocations beyond the legal level of appropriations passed by Council may be made by the Finance Director.

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 budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time the final appropriations were passed by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources by fund. 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 the City's records. Interest in the pool is presented as "equity in pooled cash and investments."

Investments are reported as assets. Accordingly, purchases of investments are not recorded as disbursements, and sales of investments are not recorded as receipts. Gains or losses at the time of sale are recorded as receipts or negative receipts (contra revenue), respectively.

During the year, the City's investments were limited to Star Ohio, money market funds, negotiable certificates of deposits and US agencies. Investments are reported at cost, except for the money market fund and STAR Ohio. The City's money market fund investment is recorded at the amount reported by financial institutions on December 31, 2019.

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

Investment procedures are restricted by the provisions of the Ohio Revised Code (ORC). Interest revenue credited to the general fund during 2019 amounted to $191,740.

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

Inventory

Inventory is stated at cost (first-in, first-out) in the governmental funds. The costs of inventory items are recorded as expenditures in the governmental funds when purchased.

On the fund financial statements, reported material and supplies inventory is equally offset by a nonspendable fund balance which indicates that it does not constitute available spendable resources even though it is a component of fund balance.

Prepaid Items

Payments made for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

Capital Assets

The City's only capital assets are general capital assets. General capital assets are those assets which are associated with and generally arise from governmental activities. They 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 backtrending (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, donated works of art and similar items, and capital assets received in a service concession arrangement should be reported at acquisition value rather than fair value. The City maintains a capitalization threshold of $5,000. 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 reported capital assets are depreciated except for land, right-of-ways 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
Land	N/A
Right-of-Ways	N/A
Buildings and Improvements	15 - 100 years
Land Improvements	20 years
Machinery and Equipment	5 - 40 years
Furniture and Fixtures	10 - 25 years
Vehicles	6 - 25 years
Infrastructure	15 - 50 years

The City's infrastructure consists of roads, water mains, storm sewers, traffic signals, and bridges and includes infrastructure acquired since December 31, 1980.

Compensated Absences

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

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

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, compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and loans are recognized as a liability on the governmental fund financial statements when due.

Fund Balances

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

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.

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

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). 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) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

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

The City applies restricted resources first when expenditures are incurred for purposes for which 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 assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. Net position invested 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 its use either through constitutional provisions on enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Of the City's $5,042,255 in restricted net position, none was restricted by enabling legislation.

Interfund Activity

Internal events that are 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.

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.

Pensions/Other Postemployment Benefits (OPEB)

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

Note 3 - Accountability and Compliance

Deficit Fund Balances

Fund balances at December 31, 2019, included the following individual fund deficits:

Major Governmental Fund	Deficit
Special Assessment Bond Retirement	$32,693
Other Governmental Funds	
Police Pension Transfer	9,808
Fire Operating Levy	12,625

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

Note 4 - Deposits and Investments

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

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

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

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

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

1. United States Treasury 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 obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2.00% and be marked to market daily, and that the term of the agreement must not exceed thirty days;

4. Bonds and other obligations of the State of Ohio;

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

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

7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed 25.00% of the interim monies available for investment at any one time.

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

1. Bonds of the State of Ohio;

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

3. Obligations of the City.

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. Investments may only be made through specified dealers and institutions.

Cash on Hand

At year end, the City had $1,175 in undeposited cash on hand, which is included on the financial statements of the City as part of "equity in pooled cash and investments".

Deposits

Based on the criteria described in GASB Statement No. 40, "<u>Deposits and Investment Risk Disclosures</u>", as of December 31, 2019, $3,284,018 of the City's bank balance of $3,789,290 was exposed to custodial risk as discussed below, while $505,272 was covered by the Federal Deposit Insurance Corporation "FDIC".

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105.00% of the carrying value of the deposits. Such collateral, as permitted by the ORC, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the City. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the City to a successful claim by the FDIC.

Investments

All investments are in an internal investment pool. As of December 31, 2019, the City had the following investments:

Investment type	Fair Value	Fair Value Hierarchy	Wieghted Average of Maturity
Money Market Funds	$3,803,964	N/A	0.00
STAR Ohio	66,438	N/A	0.14
Federal Home Loan Bank	175,364	Level 2	1.38
Federal National Mortgage Association	499,845	Level 2	0.33
Negotiable Certificates of Deposit	1,565,757	Level 2	1.80
Total	$6,111,368		
Portfolio Weighted Average Maturity			0.53

The City categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the City's recurring fair value measurements as of December 31, 2019. STAR Ohio is reported at its share price (Net Asset value per share).

Interest Rate Risk: As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that operating funds be invested primarily in investments so that securities mature to meet cash requirements for ongoing operations. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The federal agency securities, and the U.S. government money market fund are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent, but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

Credit Risk: STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The federal agency securities carry a rating of AA+/Aaa by Standard & Poor's and Moody. The money market funds and Negotiable Certificates of Deposit are not rated. The City has no investment policy that addresses credit risk.

Concentration of Credit Risk: The City's investment policy places no limit on the amount it may invest in any one issuer. The following is the City's allocation as of December 31, 2019:

Investment type	Fair Value	% of Total
Money Market Funds	$3,803,964	62%
STAR Ohio	66,438	1%
Federal Home Loan Bank	175,364	3%
Federal National Mortgage Association	499,845	8%
Negotiable Certificates of Deposit	1,565,757	26%
Total	$6,111,368	100%

Note 5 – Receivables

Receivables at December 31, 2019, consisted primarily of municipal income taxes, property taxes, special assessments, interest, accounts (billings for user charged services and court fines), interfund and intergovernmental receivables arising from grants, entitlements and shared revenues.

No allowance for doubtful accounts has been recorded because uncollectible amounts are expected to be insignificant. All receivables except for delinquent property taxes and special assessments are expected to be collected within one year. Property taxes although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Special assessments expected to be collected in more than one year amount to $78,597 in the general fund, $603,075 in the special assessment bond retirement fund, and $1,297 in the other governmental funds.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35.00% of appraised market value. All property is required to be revaluated every six years. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35.00% of true value. 2019 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The Summit County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City of Macedonia. The Summit County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2019, and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by deferred outflows of resources since the current taxes were not levied to finance 2019 operations and the collection of delinquent taxes has been offset by deferred inflows of resources since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is a deferred inflow of resources.

The full tax rate for all City operations for the year ended December 31, 2019, was $7.90 per $1,000 of assessed value. The assessed values of real and public utility property upon which 2019 property tax receipts were based are as follows:

Real Property	
Residential/Agricultural	$312,353,910
Commercial/Industrial/Mineral	110,167,570
Public utility	28,582,250
Total Assessed Value	$451,103,730

Income Taxes

The City levied a 2.50% municipal income tax on substantially all income earned within the City. In addition, City residents are required to pay tax on income earned outside of the City. The City allows a credit of 100.00% for income tax paid to another municipality, not to exceed 2.50% of taxable income.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City Ordinance, 77.80% of the City's net income tax collections will be allocated to general fund, 12.90% for road projects and improvements, 7.10% to parks and recreation center (50.00% of the 7.10% for park and 50.00% of the 7.10% to the recreation center), and 2.20% will be set aside for refunding back to the residents of the City that are affected by the voted increase of 0.25%.

The Regional Income Tax Agency (RITA) administers and collects income taxes for the City. Payments are remitted monthly net of collection fees of 3.00%.

Note 6 - Compensated Absences

The criteria for determining vacation and sick leave liabilities are derived from negotiated agreements and State laws. Employees earn ten to twenty-five days of vacation per year, depending upon length of service. Normally, all vacation is to be taken in the year available unless written approval for carryover of vacation is obtained, in which case it is to be used in the first quarter of the following year. All accumulated unused vacation time is paid upon termination of employment.

Employees earn sick leave at a rate of 1 1/4 days per month. Sick leave accrual is continuous, without limit. Upon retirement or death, an employee can be paid a maximum of 40.00% of accumulated, unused sick leave up to a maximum payment of 384 hours, except fire employees whose maximum payment is up to 540 hours and police employees whose maximum payment is up to 500 hours. An employee with less than 10 years of service with the City, who is terminated other than retirement, is entitled to be paid 25.00% of their accrued unused sick leave up to a maximum payment of 240 hours.

Note 7 - Interfund Transactions

Interfund transfers and receivables and payables for the year ended December 31, 2019, consisted of the following, as reported on the fund financial statements:

	Transfers		Interfund	
	In	Out	Receivable	Payable
General Fund	$0	$2,248,100	$32,693	$0
Road Program Fund	0	520,859	0	0
Special Assessment Bond Receivable	0	0	0	32,693
Other Governmental Funds	3,099,500	330,541	0	0
Total All Funds	$3,099,500	$3,099,500	$32,693	$32,693

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (4) to move residual equity amounts. Transfers between governmental funds are eliminated on the government-wide financial statements.

The transfers out of the Road Program Fund to the Other Debt Fund and General Bond Retirement Fund were for debt payments being made out of those two funds. A transfer was made out of the Permissive Tax Fund to the General Bond Retirement fund for debt service payments. A transfer was made out of the Safety Services fund into the General Bond Retirement fund for debt service payments. Transfers were made out of TIF Funds to the General Bond Retirement Fund for debt service payments.

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Note 8 - Capital Assets

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Capital Assets Not Being Depreciated				
Land	$8,415,883	$0	$0	$8,415,883
Construction in Progress	335,812	55,336	(335,812)	55,336
Total Capital Assets Not Being Depreciated	8,751,695	55,336	(335,812)	8,471,219
Capital Assets Being Depreciated				
Buildings and Improvements	13,984,698	461,520	0	14,446,218
Machinery and Equipment	8,382,726	1,895,809	0	10,278,535
Infrastructure	62,520,701	2,722,877	0	65,243,578
Total Capital Assets Being Depreciated	84,888,125	5,080,206	0	89,968,331
Less Accumulated Depreciation				
Buildings and Improvements	5,103,916	351,011	0	5,454,927
Machinery and Equipment	5,598,146	501,116	0	6,099,262
Infrastructure	25,842,513	2,012,417	0	27,854,930
Total Accumulated Depreciation	36,544,575	2,864,544	0	39,409,119
Total Capital Assets Being Depreciated, Net	48,343,550	2,215,662	0	50,559,212
Governmental Activities Capital Assets, Net	$57,095,245	$2,270,998	($335,812)	$59,030,431

Depreciation expense was charged to governmental functions as follow:

General government	$147,817
Security of persons and property	294,421
Leisure time activities	203,707
Community environment	840
Basic Utility Services	458,714
Transportation	1,759,045
Total	$2,864,544

Note 9 - Risk Management

Property and Liability

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. As of December 31, 2019, the City contracted with the Ohio Municipal League Self Insurance Pool, which is administered by Nixon Laurianti Insurance Agency, Inc., as follows:

Type of Coverage	Coverage	Deductible
Ohio Municipal Joint Self Insurance Pool		
Blanket Property, and Contents, Replacement	$15,862,657	$2,500
Property Dwelling	cash value	1,000
General Liability	6,000,000	No deductible
Automobile Liability	6,000,000	0-500
Municipal Attorney & Law Directors Liability	1,000,000	25,000
Employer Liability	1,000,000	No deductible
Emergency Medical Services Liability	6,000,000	25,000
Miscellaneous Equipment (Scheduled)	cash value	1,000
Miscellaneous Equipment (Unscheduled)	cash value	1,000
Tower and Antenna	cash value	1,000
Public Officials Liability	6,000,000	25,000
Law Enforcement	6,000,000	25,000
Employee Benefits Liability (per act)	1,000,000	No deductible
Inland Marine Liability	cash value	1,000
Uninsured/Underinsured Motorist	50,000	No deductible
Hired/Borrowed Physical Damage	50,000	500

The City carries commercial insurance coverage for all risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there were no significant reductions in coverage from the prior year.

Workers' Compensation

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

Note 10 - Defined Benefit Pension Plans

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

Net Pension Liability/Net OPEB Liability

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

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

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

GASB 68/75 assumes the liability 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 may pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability. Resulting adjustments to the net pension/OPEB liability would be effective when the changes are legally enforceable. The ORC 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 long-term net pension/OPEB 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 accrued wages and benefits on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See Note 11 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 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. While employees may elect the member-directed plan or the combined plan, substantially all employees are in the traditional plan; therefore, the following disclosure focuses on the traditional 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 opers.org/financial/reports.shtml, by writing to the OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

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

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Public Safety	Public Safety	Public Safety
Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 52 with 25 years of service credit or Age 56 with 15 years of service credit
Law Enforcement	Law Enforcement	Law Enforcement
Age and Service Requirements: Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 52 with 15 years of service credit	Age and Service Requirements: Age 48 with 25 years of service credit or Age 56 with 15 years of service credit
Public Safety and Law Enforcement	Public Safety and Law Enforcement	Public Safety and Law Enforcement
Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25	Traditional Plan Formula: 2.5% of FAS multiplied by years of service for the first 25 years and 2.1% for service years in excess of 25

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. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

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

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	State and Local	Public Safety	Law Enforcement
2019 Statutory Maximum Contribution Rates			
Employer	14.00%	18.10%	18.10%
Employee *(a)*	10.00%	*(b)*	*(c)*
2019 Actual Contribution Rates			
Employer:			
Pension *(d)*	14.00%	18.10%	18.10%
Post-employment Health Care Benefits *(d)*	0.00%	0.00%	0.00%
Total Employer	14.00%	18.10%	18.10%
Employee	10.00%	12.00%	13.00%

(a) Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.
(b) This rate is determined by OPERS' Board and has no maximum rate established by ORC.
(c) This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2.00% greater than the Public Safety rate.
(d) 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 4.00% 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 2019, the City's contractually required contribution was $505,478, of this amount $72,096 is reported in accrued wages and benefits.

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

Plan Description
City full-time police and firefighters participate in 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 ORC. 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 op-f.org or by writing to the OP&F 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 2.50% for each of the first 20 years of service credit, 2.00% for each of the next five years of service credit and 1.50% for each year of service credit in excess of 25 years. The maximum pension of 72.00% of the allowable average annual salary is paid after 33 years of service credit (see OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits):

Under the COLA method, 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 3.00% 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 0.10%.

Funding Policy

The ORC provides statutory authority for member and employer contributions as follows:

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $803,970 for 2019, of this amount $62,768 is reported as accrued wages and benefits.

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

The net pension liability for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net pension liability 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 of the City's defined benefit pension plans:

	OPERS Traditional Plan	OP&F	Total
Proportionate Share of the Net Pension Liability	$6,995,162	$12,584,591	$19,579,753
Proportion of the Net Pension Liability:			
Current Measurement Date	0.02554100%	0.15417300%	
Prior Measurement Date	0.02584800%	0.15970700%	
Change in Proportionate Share	-0.00030700%	-0.00553400%	
Pension Expense	$1,618,838	$1,843,130	$3,461,968

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

	OPERS Traditional Plan	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$323	$517,050	$517,373
Changes of assumptions	608,946	333,635	942,581
Net difference between projected and actual earnings on pension plan investments	949,439	1,550,411	2,499,850
Changes in employer proportionate share of net pension liability	8,980	853,359	862,339
Contributions subsequent to the measurement date	505,478	803,970	1,309,448
Total Deferred Outflows of Resources	$2,073,166	$4,058,425	$6,131,591
Deferred Inflows of Resources			
Differences between expected and actual experience	$91,851	$11,751	$103,602
Changes in employer proportionate share of net pension liability	51,987	267,704	319,691
Total Deferred Inflows of Resources	$143,838	$279,455	$423,293

$1,309,448 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Year Ending December 31:	OPERS Traditional Plan	OP&F	Total
2020	$604,541	$913,475	$1,518,016
2021	289,670	574,447	864,117
2022	88,080	635,103	723,183
2023	441,559	788,255	1,229,814
2024	0	63,720	63,720
Total	$1,423,850	$2,975,000	$4,398,850

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, 2018, 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, 2018, are presented below.

	OPERS Traditional Plan
Wage Inflation	3.25%
Projected Salary Increases (includes wage inflation at 3.25%)	3.25% to 10.75%
COLA or Ad Hoc COLA:	
Pre-January 7, 2013 Retirees	3.00% Simple
Post-January 7, 2013 Retirees	3.00% Simple through 2018, then 2.15% Simple
Investment Rate of Return	7.20%
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 defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and 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 a loss of 2.94% for 2018.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The following table displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return.

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

Discount Rate

The discount rate used to measure the total pension liability was 7.20% for the Traditional Pension 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 benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate
The following table presents the net pension liability calculated using the discount rate of 7.20%, and the expected net pension liability if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate:

	1.00% Decrease (6.20%)	Current Discount Rate (7.20%)	1.00% Increase (8.20%)
Proportionate share of the net pension liability	$10,333,889	$6,995,162	$4,220,650

Changes since the prior Measurement Date on to Report Date
OPERS Board adopted a change in the investment return assumption, reducing it from 7.50% to 7.20%.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2019, (December 31, 2018, measurement date), is based on the results of an actuarial valuation date of January 1, 2018, 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, 2018:

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Investment Rate of Return	8.00%
Salary Increases	3.75% to 10.50%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Cost of Living Adjustments	3.00% Simple; 2.20% Simple for increased based on the lesser of the increase in CPI and 3.00%

Healthy Mortality
Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120.00%.

Age	Police	Fire
67 or less	77.00%	68.00%
68-77	105.00%	87.00%
78 and up	115.00%	120.00%

Disabled Mortality

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

Age	Police	Fire
59 or less	35.00%	35.00%
60-69	60.00%	45.00%
70-79	75.00%	70.00%
80 and up	100.00%	90.00%

The actuarial assumptions used in the valuation are based on the results of a five-year experience review covering the period 2012-2016. The experience study was performed by OP&F's prior actuary and the assumptions were effective January 1, 2017.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	0.80%
Domestic Equity	16.00%	5.50%
Non-US Equity	16.00%	5.90%
Private Markets	8.00%	8.40%
Core Fixed Income*	23.00%	2.60%
High Yield Fixed Income	7.00%	4.80%
Private Credit	5.00%	7.50%
U.S. Inflation Linked Bonds*	17.00%	2.30%
Master Limited Partnerships	8.00%	6.40%
Real Assets	8.00%	7.00%
Private Real Estate	12.00%	6.10%
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 the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate

Total pension liability was calculated using the discount rate of 8.00%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to be available to make all future benefit payment 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 Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

Net pension liability is sensitive to changes in the discount rate. To illustrate the potential impact, the following table presents the net pension liability calculated using the discount rate of 8.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower, 7.00%, or one percentage point higher, 9.00%, than the current rate:

	1.00% Decrease (7.00%)	Discount Rate (8.00%)	1.00% Increase (9.00%)
Proportionate share of the net pension liability	$16,541,577	$12,584,591	$9,277,957

Changes in Benefit Terms and Assumptions since prior measurement date and to report date

There have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation studies as of the pension plan for the measurement date.

Note 11 - Defined Benefit Other Postemployment Benefits Plans

See Note 10 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Health Care Plan Description

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

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

The ORC 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 ORC.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting 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 ORC provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. During 2019, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.00% of earnable salary and public safety and law enforcement employers contributed at 18.10%. These are the maximum employer contribution rates permitted by the ORC. 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 1.00% during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018, decreased to 0.00% 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 2019 was 4.00%.

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

The City's contractually required contribution was $0 for 2019.

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

Health Care Plan Description
The City contributes to the OP&F sponsored healthcare program, a cost-sharing, multiple-employer defined postemployment 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. Beginning January 1, 2019, OP&F changed its retiree health care model to a stipend-based health care model.

OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years.

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 OPEB as described in GASB Statement No. 75.

The ORC 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 ORC.

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 OP&F Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy
The ORC provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.50% and 24.00% of covered payroll for police and fire employer units, respectively. The ORC states that the employer contribution may not exceed 19.50% of covered payroll for police employer units and 24.00% of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

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 Internal Revenue Code (IRC) Section 115 trust. An IRC Section 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 IRC Section 115 trust and the IRC Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.50% of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of IRC Sections 115 and 401(h).

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

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

The City's contractually required contribution to OP&F was $18,866 for 2019.

Net OPEB Liability

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

	OPERS Traditional Plan	OP&F	Total
Proportionate Share of the Net OPEB Liability	$3,161,497	$1,403,982	$4,565,479
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.02424900%	0.15417300%	
Prior Measurement Date	0.02459000%	0.15970700%	
Change in Proportionate Share	-0.00034100%	-0.00553400%	
OPEB Expense	$179,338	($6,861,366)	($6,682,028)

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

	OPERS Traditional Plan	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$1,071	$0	$1,071
Changes of assumptions	101,930	727,757	829,687
Net difference between projected and actual earnings on pension plan investments	144,936	47,526	192,462
Changes in employer proportionate share of net OPEB liability	0	533,137	533,137
Contributions subsequent to the measurement date	0	18,866	18,866
Total Deferred Outflows of Resources	$247,937	$1,327,286	$1,575,223
Deferred Inflows of Resources			
Differences between expected and actual experience	$8,578	$37,616	$46,194
Changes of assumptions	0	388,688	388,688
Changes in employer proportionate share of net OPEB liability	35,671	246,004	281,675
Total Deferred Inflows of Resources	$44,249	$672,308	$716,557

$18,866 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS Traditional Plan	OP&F	Total
2020	$91,158	$113,019	$204,177
2021	16,016	113,019	129,035
2022	23,500	113,019	136,519
2023	73,014	127,392	200,406
2024	0	104,731	104,731
Thereafter	0	64,932	64,932
Total	$203,688	$636,112	$839,800

Actuarial Assumptions - OPERS

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

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

Wage Inflation	3.25%
Projected Salary	3.25% to 10.75% (including wage inflation)
Single Discount Rate:	
Current measurement date	3.96%
Prior Measurement date	3.85%
Investment Rate of Return	6.00%
Municipal Bond Rate	3.71%
Health Care Cost Trend Rate	10.00% initial, 3.25% ultimate in 2029
Actuarial Cost Method	Individual Entry Age, Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables. The most recent experience study was completed for the five year period ended December 31, 2015.

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

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

The allocation of investment assets within the OPERS Health Care portfolio is approved by the Board 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. The System's primary goal is to achieve and maintain a fully funded status for benefits provided through the defined pension plans. Health care is a discretionary benefit. The table on the following page displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return.

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

Discount Rate

A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on

OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 3.71%. 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 OPEB plan's fiduciary net position and future contributions were sufficient to finance the health care costs through the year 2031. As a result, the long term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
The following table presents the OPEB liability calculated using the single discount rate of 3.96%, and the expected net OPEB liability if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

	1.00% Decrease (2.96%)	Current Discount Rate (3.96%)	1.00% Increase (4.96%)
Proportionate share of the net OPEB liability	$4,044,733	$3,161,497	$2,459,091

Sensitivity of the 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 1.00% lower or 1.00% higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00%. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25% in the most recent valuation.

	1.00% Decrease	Current Health Care Cost Trend Rate Assumption	1.00% Increase
Proportionate share of the net OPEB liability	$3,038,885	$3,161,497	$3,302,714

Changes since prior Measurement Date and to Report Date
OPERS Board adopted a change in the investment return assumption, reducing it from 6.50% to 6.00%. In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare-eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time.

Actuarial Assumptions – OP&F

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

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

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

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

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00%
Payroll Growth	Inflation rate of 2.75% plus productivity increase rate of 0.50%
Single discount rate:	
Currrent measurement date	4.66%
Prior measurement date	3.24%
Stipend Increase Rate	The stipend is not assured to increase over the projection period

Healthy Mortality

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120.00%.

Age	Police	Fire
67 or less	77.00%	68.00%
68-77	105.00%	87.00%
78 and up	115.00%	120.00%

Disabled Mortality

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

Age	Police	Fire
59 or less	35.00%	35.00%
60-69	60.00%	45.00%
70-79	75.00%	70.00%
80 and up	100.00%	90.00%

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

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

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

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00%	0.80%
Domestic Equity	16.00%	5.50%
Non-US Equity	16.00%	5.90%
Private Markets	8.00%	8.40%
Core Fixed Income*	23.00%	2.60%
High Yield Fixed Income	7.00%	4.80%
Private Credit	5.00%	7.50%
U.S. Inflation Linked Bonds*	17.00%	2.30%
Master Limited Partnerships	8.00%	6.40%
Real Assets	8.00%	7.00%
Private Real Estate	12.00%	6.10%
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 the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 times due to the application of leverage in certain fixed income asset classes.

Discount Rate
Total OPEB liability was calculated using the discount rate of 4.66%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payment of current plan members. Therefore, a municipal bond rate of 4.13% at December 31, 2018, and 3.16% at December 31, 2017, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 4.66%.

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate
Net OPEB liability is sensitive to changes in the discount rate. To illustrate the potential impact, the following table presents the net OPEB liability calculated using the discount rate of 4.66%, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower, 3.66%, or one percentage point higher, 5.66%, than the current rate:

	1.00% Decrease (3.66%)	Current Discount Rate (4.66%)	1.00% Increase (5.66%)
Proportionate share of the net OPEB liability	$1,710,433	$1,403,982	$1,146,742

Sensitivity of the Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate
The net OPEB liability for OP&F is no sensitive to changes in the healthcare care cost trend rate because it is based on a medical benefit that is a flat dollar amount.

Changes since prior measurement date and to report date
Beginning January 1, 2019, OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.50%.

Note 12 - Capital Leases

The City's lease obligations meet the criteria of a capital lease as defined by GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 1989 FASB and AICPA Pronouncements". Capital lease payments have been reclassified and are reflected as debt service expenditures on the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Lease Purchase Agreement

During the current year and in previous years, the City entered into lease-purchase agreements with a local bank to finance the purchase of various heavy machinery, vehicles and dump trucks. The source of revenue to fund the principal and interest payments is derived from general operating revenues of the City. The following is a schedule of the future long-term minimum lease payments required under the lease-purchase agreement as of December 31, 2019.

	Lease Purchase Agreement	
Years	Principal	Interest
2020	$394,999	$21,843
2021	236,861	12,414
2022	101,947	7,091
2023	26,298	4,390
2024	26,884	3,804
2025-2029	144,689	9,753
Total	$931,678	$59,295

Capital assets acquired by lease have been capitalized as follows:

Vehicles	$ 2,373,822

Note 13 - Long-Term Obligations

The original issue date, interest rate, original issue amount and date of maturity of each of the City's bonds and loans follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities:			
General Obligation Bonds			
Fire Truck Acquisition Bonds, 2019	3.60%	$1,450,000	December 1, 2028
Various Purpose, 2018	2.50-4.00%	9,000,000	December 1, 2025
Various Purpose, 2010	2.00-4.00%	5,130,000	December 1, 2030
Special Assessments			
Highland Road Improvement Variance, 2003	2.00-4.00%	1,260,000	December 1, 2023
North Freeway Drive, 2006	5.38%	543,300	December 1, 2026
Ohio Public Works Commission Loan (OPWC)			
North Freeway Drive Project, 2005	0.00%	678,957	December 1, 2027
Valley View Road Project, 2019	0.00%	677,787	January 4, 2040
State Infrastructure Bank Loan			
I-271 Ramp Project, 2014	3.00%	502,000	July 31, 2034

Changes in long-term obligations of the City during 2019 are as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Amounts Due in One Year
General Obligation Bonds					
Various Purpose Bonds, 2010	$3,850,000	$0	($260,000)	$3,590,000	$265,000
Various Purpose Bonds, 2018	9,000,000	0	(210,000)	8,790,000	345,000
Premium on 2018 Issuance	452,145	0	(22,607)	429,538	0
Fire Truck Acquisition Bonds, 2019	0	1,450,000	(145,000)	1,305,000	145,000
Total General Obligation Bonds	13,302,145	1,450,000	(637,607)	14,114,538	755,000
Special Assessment Bonds with Governmental Commitment					
Highland Road Improvement Various Purpose, 2003	400,000	0	(75,000)	325,000	75,000
North Freeway Drive, 2006	287,500	0	(29,600)	257,900	31,200
Total Special Assessment Bonds	687,500	0	(104,600)	582,900	106,200
Ohio Department of Transportation (ODOT)					
State Infrastructure Bank Loans (I-271 Ramp)	357,767	0	(60,767)	297,000	62,604
Ohio Public Works Commission Loans (OPWC)					
North Freeway Drive Project, 2005	288,555	0	(33,948)	254,607	33,948
Valley View Road Project, 2019	0	677,787	0	677,787	18,660
Total OPWC Loan	288,555	677,787	(33,948)	932,394	52,608
Net Pension Liability	13,856,990	5,722,763	0	19,579,753	0
Net OPEB Liability	11,719,068	0	(7,153,589)	4,565,479	0
Compensated Absences Payable	1,102,907	396,088	(253,502)	1,245,493	277,754
Lease Purchase Agreements	1,108,440	222,500	(399,262)	931,678	394,999
Premiums	85,649	0	(7,187)	78,462	0
Total Governmental Long-Term Liabilities	$42,509,021	$8,469,138	($8,650,462)	$42,327,697	$1,649,165

General obligation bonds are the direct obligation of the City for which its full faith and credit are pledged for repayment and will be paid from the collection of income taxes.

On January 15, 2014, ODOT issued the City a loan to acquire the rights-of-way for the I-271 ramp project. The loan was in the amount of $502,000 and had an interest rate of 3.00%. The loan has a maturity date of July 31, 2024. Principal and interest payments are due semi-annually. The loan had a 0.00% interest rate until July 30, 2015.

Special assessment bonds will be paid from special assessment proceeds levied against benefited property owners. In the event that a property owner would fail to pay the assessment, payment would be made by the City.

The OPWC loan for North Freeway Drive Project will be paid from special assessments. The OPWC loan for Valley View Road Project will be paid from the Road Program Fund.

Compensated absences will be paid from the general fund and the street construction, maintenance and repair, parks and recreation and family recreation center special revenue funds.

Optional Redemption - The bonds maturing on or after December 1, 2013, shall be subject to redemption, by and at the option of the City, on or after December 1, 2012, in whole or in part on any date, in the integral multiples of $5,000, at the redemption price of 100.00% of principal amount to be redeemed, plus interest accrued to the redemption date.

Mandatory Sinking Fund Redemption - The bonds maturing on December 1, 2023 shall be term bonds subject to mandatory sinking redemption requirements. The mandatory redemption is to occur on December 1, 2022 (with the balance of $85,000 to be paid at stated maturity on December 1, 2023):

Year	Principal Amount
2020	$75,000
2021	80,000
2022	85,000

2019 Fire Truck Acquisition Bonds

On January 17, 2019, the City issued $1,450,000 in general obligation bonds with an interest rate of 3.60%. The proceeds were used to pay for the acquisition of new fire trucks.

2018 Various Purpose Bonds

On July 16, 2018, the City issued $9,000,000 in general obligation bonds with interest rates varying from 2.50% to 4.00%. The proceeds were used to pay the costs of constructing, reconstructing, improving, grading, draining and paving various roads and streets in the City.

2010 Various Purpose Bonds

On September 22, 2010, the City issued $5,130,000 in general obligation bonds with interest rates varying from 2.00% to 4.00%. The bond issue included serial and term bonds.

Optional Redemption - The bonds maturing after December 1, 2020, are subject to prior redemption, by and at the sole option of the City, in whole or in part as selected by the City (in integral multiples of $5,000), on any date on or after December 1, 2020, at a redemption price equal to 100.00% of the principal amount redeemed, plus interest accrued to the redemption date.

Mandatory Redemption - The bonds maturing on December 1, 2030, (the term bonds), are subject to mandatory sinking fund redemption requirements, at a redemption price equal to 100.00% of the principal amount redeemed, plus interest accrued to the redemption date, on December 1 of the years shown, and according to, the following schedule:

Year	Principal Amount
2025	$325,000
2026	340,000
2027	350,000
2028	365,000
2029	375,000
2030	380,000

Principal and interest requirements to retire the long-term obligations as of December 31, 2019, are as follows:

	General Obligation Bonds		Special Assessment Bonds		OPWC Loans	SIB Loans	
Years	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2020	$755,000	$518,340	$106,200	$26,461	$52,608	$62,604	$8,698
2021	780,000	493,769	112,900	21,761	71,268	64,496	6,748
2022	800,000	462,750	119,700	16,766	71,268	66,446	4,740
2023	820,000	437,282	121,700	11,473	71,268	68,454	2,671
2024	865,000	405,134	38,700	6,071	71,267	35,000	541
2025-2029	4,475,000	1,557,572	83,700	5,705	271,468	0	0
2030-2034	2,990,000	776,602	0	0	186,600	0	0
2035-2038	2,200,000	212,800	0	0	136,647	0	0
Total	$13,685,000	$4,864,249	$582,900	$88,237	$932,394	$297,000	$23,398

Note 14 - Jointly Governed Organization

Northeast Ohio Public Energy Council (NOPEC)

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a Regional Council of Governments (RCOG) formed under Chapter 167 of the ORC. 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 200 communities who have been authorized by ballot to purchase electricity and natural gas on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time ensuring stability in prices by entering into long-term contracts with suppliers to provide energy 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 ten-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 of Macedonia did not contribute to NOPEC during 2019. Financial information can be obtained by contacting Ron McVoy, Board Chairman, 31320 Solon Rd. Suite 20, Solon, Ohio or at the website www.nopecinfo.org.

Regional Council of Governments (RCOG)

In 1971, 38 municipalities joined together to organize a RCOG to administer tax collection and enforcement concerns facing the cities and villages. The first official act of the RCOG was to form the RITA. Today RITA serves as the income tax collection agency for 250 municipalities throughout the State of Ohio. The City began using RITA for its income tax collection services during 2005.

Each member municipality appoints its own delegate to the RCOG, including electing members to the RITA Board of Trustees. Regardless of the population or tax collections of member municipalities, each member of the RCOG has an equal say in the operations of RITA.

Note 15 - Joint Venture

The City participates in the Northfield Center Township - Macedonia Joint Economic Development District (JEDD) which is created in accordance with sections 715.70 and 715.71 of the Ohio Revised Code. The purpose of the JEDD is to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State, the Township and the City. The City and the Township shall work together to provide or cause to be provided, water, sewer, storm sewer, street lighting, roads, sidewalks and other local government services to the area. These services are funded by a predetermined percentage of income tax revenue. The Board of Directors consists of six members, three from each the City and the Township. The Township members of the Board are the Township Trustees. The City members are the Mayor and two elected members of Council who are appointed to the Board by the Mayor and approved by Council. The Board adopted an annual budget for the JEDD and estimated the revenues and expenses of the operation of the JEDD. They also established the distribution of the income tax revenues. The Board is authorized to take such necessary and appropriate actions, or establish such programs to facilitate economic development in the JEDD area.

Continued existence of the JEDD is dependent on the City’s continued participation; however, the City does not have an equity interest in the JEDD. The JEDD is not accumulating significant financial resources or experiencing fiscal stress which would cause additional financial benefit to or burden on the City. In 2019, 50.00% of the JEDD’s total distributions after expenses went to the City. Complete financial statements can be obtained from the JEDD, City of Macedonia, Finance Department, 9691 Valley View Road, Macedonia, Ohio, 44056.

Note 16 - Tax Increment Financing District (TIF)

The City, pursuant to the ORC and City Ordinances, has established TIF districts. A TIF represents a geographic area wherein property values created after the commencement date of the TIF are exempt, in whole or in part, from property taxes. Owners of such property, however, must pay amounts equal to the property taxes, known as “payments in lieu of taxes (PILOTS)”, as though the TIF had not been established. These “PILOTS” are then dedicated to the payments for various public improvements within or adjacent to the TIF districts. Property values existing before the commencement date of a TIF continue to be subjected to property taxes.

PILOTS are reported in the fund financial statements. The TIF has a longevity of the shorter period of 30 years or until the public improvements are paid for. The property tax exemption then ceases; PILOTS cease and property taxes then apply to the increased property values.

Note 17 – Contingencies

Grants

The City received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and 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 adverse effect on the overall financial position of the City at December 31, 2019.

Litigation

The City of Macedonia is a party to 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.

Note 18 - Other Commitments

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

Fund	Year-End Encumbrances
General Fund	$684,175
Road Program Fund	1,225,656
Other Nonmajor Governmental	988,269
Total	$2,898,100

Note 19 - Fund Balance

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

Fund balance	General	Special Assessment Bond Retirement	Road Program	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:					
Materials and supplies inventory	$5,030	$0	$0	$172,420	$177,450
Unclaimed monies	12,979	0	0	0	12,979
Prepaids	127,517	0	0	37,335	164,852
Total nonspendable	145,526	0	0	209,755	355,281
Restricted:					
Street, Contruction Maintenance & Repair	0	0	0	339,359	339,359
State Highway Improvement	0	0	0	105,661	105,661
Bond Retirement	0	0	0	13,406	13,406
Permissive Tax	0	0	0	10,164	10,164
Nardonia Hills Home Days	0	0	0	62,115	62,115
Motor Vehicle License	0	0	0	75,269	75,269
City Income Tax	0	0	0	6,093	6,093
Drug Law Enforcement	0	0	0	38,007	38,007
Law Enforcement Education	0	0	0	27,771	27,771
Other Debt	0	0	0	30,118	30,118
Mayors Court Computer	0	0	0	22,967	22,967
Federal Fire Grants	0	0	0	14,044	14,044
Law Enforcement Trust	0	0	0	14,682	14,682
Quiet Zone Maintenance Fund	0	0	0	20,862	20,862
ARRA Grants Fund	0	0	0	5,416	5,416
Federal Equitable Sharing	0	0	0	107,499	107,499
K-9 Police Donaton	0	0	0	1,266	1,266
Wireless E911	0	0	0	14,903	14,903
Safety Services	0	0	0	359,651	359,651
Capital Improvement	0	0	0	372,278	372,278
CDBG Grant	0	0	0	8,153	8,153
Shepard Road Sanitary Sewers	0	0	0	7,458	7,458
The Avenue TIF	0	0	0	978	978
Macedonia Shoppes TIF	0	0	0	733	733
Maquire Property TIF	0	0	0	180	180
Road Program	0	0	2,160,033	0	2,160,033
Longwood Park Improvements	0	0	0	5,912	5,912
Manor House Renovations	0	0	0	27	27
Total restricted	0	0	2,160,033	1,664,972	3,825,005
Committed:					
Community environment	0	0	0	381,738	381,738
Leisure time activities	0	0	0	614,245	614,245
Retirement reserve	534,475	0	0	0	534,475
Underground storage tank	10,450	0	0	0	10,450
Capital projects	0	0	0	38,068	38,068
Utility services	0	0	0	59,413	59,413
Total committed	544,925	0	0	1,093,464	1,638,389
Assigned:					
Future Encumbrances	620,729	0	0	0	620,729
Budgetary Resources	594,532	0	0	0	594,532
Total assigned	1,215,261	0	0	0	1,215,261
Unassigned (deficit)	4,640,811	(32,693)	0	(22,433)	4,585,685
Total fund balances	$6,546,523	($32,693)	$2,160,033	$2,945,758	$11,619,621

Note 20 – Tax Abatements

As December 31, 2019, the City had $54,847 in taxes abated per CRA agreement.

Note 21 – Implementation of New Accounting Principles

For fiscal year 2019, the City has postponed implementation of GASB Statement No. 83, Certain Asset Retirement Obligations, GASB No. 84, Fiduciary Activities, GASB No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, and GASB No. 90, Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61. The City did not implement these statements due to the GASB postponing the implementation by 12 months because of the COVID-19 pandemic.

Note 22 – Subsequent Events

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio has incurred a significant decline in fair value, in 2020, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, the impact of the investments of the pension and other employee benefit plan in which the City participates and any recovery from emergency funding, either federal or state, cannot be estimated.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Macedonia, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share
of the Net Pension Liability
OPERS - Traditional Plan
Last Six Fiscal Years (1)

	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.02554100%	0.02584800%	0.02617800%	0.02360200%	0.02391200%	0.02391200%
City's Proportionate Share of the Net Pension Liability	$6,995,162	$4,055,050	$5,944,579	$4,088,065	$2,806,984	$2,743,583
City's Covered Payroll	$3,449,771	$3,415,838	$3,383,100	$3,457,500	$2,933,192	$2,787,623
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.77%	118.71%	175.71%	118.24%	95.70%	98.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available.
Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

City of Macedonia, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share
of the Net Pension Liability
OP&F Pension Fund
Last Six Fiscal Years (1)

	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.15417300%	0.15970700%	0.14462900%	0.13528800%	0.02391120%	0.02391200%
City's Proportionate Share of the Net Pension Liability	$12,584,591	$9,801,940	$9,160,656	$8,703,172	$6,980,575	$6,562,714
City's Covered Payroll	$3,881,037	$3,870,684	$3,463,626	$2,632,917	$2,812,122	$1,925,749
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	324.26%	253.24%	264.48%	330.55%	248.23%	340.79%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%	72.20%	73.00%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available.
Information prior to 2014 is not available.

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

See accompanying notes to the required supplementary information.

City of Macedonia, Ohio
Required Supplementary Information
Schedule of City Contributions
for Net Pension Liability
OPERS - Traditional Plan
Last Six Fiscal Years (1)

	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$505,478	$482,968	$444,059	$405,972	$414,900	$351,983
Contributions in Relation to the Contractually Required Contribution	(505,478)	(482,968)	(444,059)	(405,972)	(414,900)	(351,983)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0
City Covered Payroll	$3,610,557	$3,449,771	$3,415,838	$3,383,100	$3,457,500	$2,933,192
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%

(1) - The schedule is intended to show Information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

See accompanying notes to the required supplementary information.

City of Macedonia, Ohio
Required Supplementary Information
Schedule of City Contributions
for Net Pension Liability
OP&F Pension Fund
Last Six Fiscal Years (1)

	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	$803,970	$737,397	$735,430	$658,089	$528,953	$572,548
Contributions in Relation to the Contractually Required Contribution	(803,970)	(737,397)	(735,430)	(658,089)	(528,953)	(572,548)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0	$0
City Covered Payroll	$3,804,875	$3,881,037	$3,870,684	$3,463,626	$2,632,917	$2,812,122
Contributions as a Percentage of Covered Payroll	21.13%	19.00%	19.00%	19.00%	20.09%	20.36%

(1) - The schedule is intended to show Information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2014 is not available.

See accompanying notes to the required supplementary information.

City of Macedonia, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
OPERS - Traditional Plan
Last Three Fiscal Years (1)

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.02424900%	0.02459000%	0.02489388%
City's Proportionate Share of the Net OPEB Liability	$3,161,497	$2,670,293	$2,514,366
City's Covered Payroll	$3,449,771	$3,415,838	$3,383,100
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	91.64%	78.17%	74.32%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.04%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

City of Macedonia, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share
of the Net OPEB Liability
OP&F Pension Fund
Last Three Fiscal Years (1)

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.15417300%	0.15970700%	0.14462900%
City's Proportionate Share of the Net OPEB Liability	$1,403,982	$9,048,775	$6,865,213
City's Covered Payroll	$3,881,037	$3,870,684	$3,463,626
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	36.18%	233.78%	198.21%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	15.96%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2017 is not available.

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

See accompanying notes to the required supplementary information.

City of Macedonia, Ohio
Required Supplementary Information
Schedule of City Contributions to OPEB
OPERS - Traditional Plan
Last Four Fiscal Years (1)

	2019	2018	2017	2016
Contractually Required Contribution to OPEB	$0	$0	$0	$0
Contributions to OPEB in Relation to the Contractually Required Contribution	0	0	0	0
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$3,610,557	$3,449,771	$3,415,838	$3,383,100
Contributions to OPEB as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

City of Macedonia, Ohio
Required Supplementary Information
Schedule of City Contributions to OPEB
OP&F Pension Fund
Last Four Fiscal Years (1)

	2019	2018	2017	2016
Contractually Required Contribution to OPEB	$18,866	$17,344	$17,483	$13,048
Contributions to OPEB in Relation to the Contractually Required Contribution	(18,866)	(17,344)	(17,483)	(13,048)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$3,804,875	$3,881,037	$3,870,684	$3,463,626
Contributions to OPEB as a Percentage of Covered Payroll	0.50%	0.45%	0.45%	0.38%

(1) - The schedule is intended to show information for the past 10 years and the additional years' information will be displayed as it becomes available. Information prior to 2016 is not available.

See accompanying notes to the required supplementary information.

City of Macedonia
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2019

	General Fund			
	Original Budget	Final Budget	Actual	Variance from Final Budget
Revenues:				
Property Taxes	$1,708,664	$1,931,502	$1,869,613	($61,889)
Income Taxes	8,113,037	9,171,110	8,877,249	(293,861)
Charges for Services	1,998,069	2,258,650	2,186,278	(72,372)
Investment Earnings	128,698	145,483	140,821	(4,662)
Intergovernmental	717,645	811,238	785,244	(25,994)
Special Assessments	1,250	1,413	1,368	(45)
Fines, Licenses & Permits	578,183	653,587	632,645	(20,942)
Other Revenues	118,986	134,504	130,194	(4,310)
Total Revenues	13,364,532	15,107,487	14,623,412	(484,075)
Expenditures:				
Current:				
General Government	3,548,608	3,720,164	3,440,228	279,936
Public Safety	7,791,855	8,168,550	7,553,880	614,670
Community Environment	415,702	435,799	403,006	32,793
Basic Utility Service	113,008	118,472	109,557	8,915
Public Health and Welfare	223,861	234,684	217,024	17,660
Total Expenditures	12,093,034	12,677,669	11,723,695	953,974
Excess of Revenues Over (Under) Expenditures	1,271,498	2,429,818	2,899,717	469,899
Other Financing Sources (Uses):				
Advances In	45,696	51,655	50,000	(1,655)
Transfers In	16,102	18,202	17,619	(583)
Transfers (Out)	(2,674,560)	(2,803,861)	(2,592,875)	210,986
Total Other Financing Sources (Uses)	(2,612,762)	(2,734,004)	(2,525,256)	208,748
Net Change in Fund Balance	(1,341,264)	(304,186)	374,461	678,647
Fund Balance Beginning of Year (includes prior year encumbrances appropriated)	2,241,126	2,241,126	2,241,126	0
Fund Balance End of Year	$899,862	$1,936,940	$2,615,587	$678,647

See accompanying notes to the required supplementary information.

Note 1 - Budgetary Process

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

The schedule of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to restricted, assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

(d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,

(e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

Net Change in Fund Balance

	General
GAAP basis	$1,782,825
Net adjustment for revenue accruals	(1,016,162)
Net adjustment for expenditure accruals	122,204
Transfers In	17,619
Transfers (Out)	(344,775)
Advances In	50,000
Adjustment for encumbrances	(237,250)
Budget basis	$374,461

Certain funds that are legally budgeted in other funds are considered part of the general fund on a GAAP basis.

Note 2 – Net Pension Liability

OP&F Pension Fund Changes in Assumptions and Benefit Terms

Changes in assumptions:

2019: There have been no OP&F pension plan amendments adopted or changes in assumptions between the measurement date and the report date that would have impacted the actuarial valuation of the pension plan as of the measurement date.

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

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce Deferred Retirement Option Plan (DROP) interest rate from 4.50% to 4.00%
- Reduce CPI-based COLA from 2.60% to 2.20%
- Inflation component reduced from 3.25% to 2.75%

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

Changes in benefit terms:

2019-2014: There were no changes in benefit terms for the period.

OPERS Changes in Assumptions and Benefit Terms

Changes in assumptions:

2019: OPERS Board adopted a change in the investment return assumption, reducing it from 7.50% to 7.20%.

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

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

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%

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

Changes in benefit terms:

2019-2014: There were no changes in benefit terms for the period.

Note 3 – OPEB Liability

OP&F Pension Fund Changes in Assumptions and Benefit Terms
Changes in assumptions:

2019: Beginning January 1, 2019, OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years. Beginning in 2020 the Board approved a change to the DROP. The minimum interest rate accruing will be 2.50%.

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

Changes in benefit terms:

2019: See above regarding change to stipend-based model.

2018: There were no changes in benefit terms for the period.

OPERS Changes in Assumptions and Benefit Terms
Changes in assumptions:

2019: OPERS Board adopted a change in the investment return assumption, reducing it from 6.50% to 6.00%. In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare-eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time.

2018: The single discount rate changed from 4.23% to 3.85%.

Changes in benefit terms:

2019-2018: There were no changes in benefit terms for the period.

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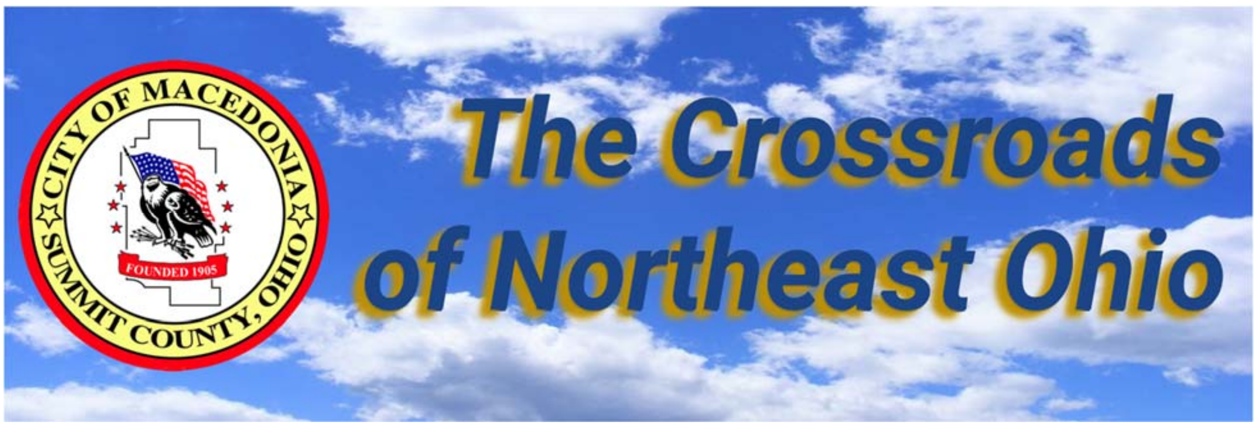
CITY OF MACEDONIA

Summit County, Ohio



Yellow Book Report

December 31, 2019

PLATTENBURG
Certified Public Accountants

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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*

City of Macedonia
Summit County
9691 Valley View Road
Macedonia, Ohio 44056

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 Macedonia (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 29, 2020.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plattenburg & Associates, Inc.

Plattenburg & Associates, Inc.
Cleveland, Ohio
July 29, 2020

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF MACEDONIA

SUMMIT COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 9/15/2020