



**CITY OF HUBBARD
TRUMBULL COUNTY**

REGULAR AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2020

**OHIO AUDITOR OF STATE
KEITH FABER**



**CITY OF HUBBARD
TRUMBULL COUNTY
DECEMBER 31, 2020**

TABLE OF CONTENTS

TITLE	PAGE
Independent Auditor's Report	1
Prepared by Management:	
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	17
Statement of Activities	18
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	20
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	21
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund	25
Street Construction and Maintenance Fund	26
Statement of Fund Net Position	
Proprietary Funds	27
Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds	28
Statement of Cash Flows	
Proprietary Funds	30
Statement of Fiduciary Net Position	
Fiduciary Funds	34
Statement of Changes in Fiduciary Net Position Fiduciary Funds	35
Notes to the Basic Financial Statements	37

CITY OF HUBBARD
TRUMBULL COUNTY
DECEMBER 31, 2020

TABLE OF CONTENTS
(Continued)

TITLE	PAGE
Required Supplementary Information:	
Schedule of the City's Proportionate Share of the Net Pension Liability/Net Pension Asset (OPERS).....	88
Schedule of the City's Proportionate Share of the Net Pension Liability (OP&F)	90
Schedule of City Pension Contributions (OPERS).....	92
Schedule of City Pension Contributions (OP&F).....	94
Schedule of the City's Proportionate Share of the Net OPEB Liability (OPERS)	96
Schedule of the City's Proportionate Share of the Net OPEB Liability (OP&F)	97
Schedule of City OPEB Contributions (OPERS).....	98
Schedule of City OPEB Contributions (OP&F).....	100
Notes to the Required Supplementary Information	102
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	105
Schedule of Findings.....	107
Prepared by Management:	
Summary Schedule of Prior Audit Findings.....	109

OHIO AUDITOR OF STATE KEITH FABER



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INDEPENDENT AUDITOR'S REPORT

City of Hubbard
Trumbull County
PO Box 307
220 West Liberty St.
Hubbard, Ohio 44425-0307

To the Members of Council and Mayor:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Efficient • Effective • Transparent

Opinions

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

Emphasis of Matter

As discussed in Note 21 to the financial statements, the financial impact of COVID-19 and the continuing emergency measures may impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 27, 2021, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Keith Faber
Auditor of State
Columbus, Ohio

August 27, 2021

CITY OF HUBBARD, OHIO

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

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

Financial Highlights

Key financial highlights for 2020 are as follows:

- The total net position of the City increased \$1,431,410. Net position of governmental activities increased \$701,085 or 23.29% and net position of business-type activities increased \$729,325 or 3.84%.
- General revenues accounted for \$3,267,855 or 73.26% of total governmental activities revenue while program specific revenues accounted for \$1,192,643 or 26.74%.
- The City had \$3,759,413 in expenses related to governmental activities; \$1,192,643 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$2,566,770 were offset by general revenues (primarily property taxes, income taxes and unrestricted grants and entitlements) of \$3,267,855.
- The City's major governmental funds are the general fund and the street construction and maintenance fund. The general fund had revenues of \$3,070,106 in 2020 and expenditures and other financing uses of \$2,693,834. The net increase in fund balance for the general fund was \$376,272 or 23.62%.
- The street construction and maintenance fund had revenues and other financing sources of \$828,879 in 2020 and expenditures of \$673,901. The net increase in fund balance for the street construction and maintenance fund was \$154,978 or 32.09%.

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

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

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

CITY OF HUBBARD, OHIO

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

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

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

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's water, sewer, electric, guarantee trust and stormwater operations are reported here.

The City's statement of net position and statement of activities can be found on pages 17-19 of this report.

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focuses on the City's most significant fund. The analysis of the City's major governmental and proprietary funds begins on page 11.

Governmental Funds

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and street construction and maintenance fund. Information for the major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 20-26 of this report.

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, electric, guarantee trust and stormwater operations. The sewer, water, and electric enterprise funds are considered major funds.

CITY OF HUBBARD, OHIO

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

Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The basic proprietary fund financial statements can be found on pages 27-33 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Custodial funds are the City's only fiduciary fund type. The basic fiduciary fund financial statements can be found on pages 34-35 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 37-86 of this report.

Required Supplementary Information (RSI)

The RSI contains information regarding the City's proportionate share of the Ohio Public Employees Retirement System's (OPERS) and Ohio Police and Fire (OP&F) net pension liability/net pension asset and net OPEB liability, and the City's schedule of contributions to OPERS and OP&F. The RSI can be found on pages 88-103 of this report.

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CITY OF HUBBARD, OHIO

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

Government-Wide Financial Analysis

The statement of net position serves as a useful indicator of a government's financial position. The following table provides a summary of the City's net position at December 31, 2020 and December 31, 2019.

	Governmental Activities		Business-Type Activities		Total	
	2020	Restated 2019	2020	2019	2020	Restated 2019
<u>Assets</u>						
Current and other assets	\$ 4,737,002	\$ 3,983,593	\$ 12,936,282	\$ 12,956,689	\$ 17,673,284	\$ 16,940,282
Capital assets, net	3,582,338	3,697,807	13,429,075	13,592,416	17,011,413	17,290,223
Total assets	<u>8,319,340</u>	<u>7,681,400</u>	<u>26,365,357</u>	<u>26,549,105</u>	<u>34,684,697</u>	<u>34,230,505</u>
<u>Deferred outflows of resources</u>						
Pension	480,170	1,023,243	289,598	745,958	769,768	1,769,201
OPEB	291,002	218,734	200,139	118,427	491,141	337,161
Total deferred outflows of resources	<u>771,172</u>	<u>1,241,977</u>	<u>489,737</u>	<u>864,385</u>	<u>1,260,909</u>	<u>2,106,362</u>
<u>Liabilities</u>						
Current liabilities	227,620	258,195	1,535,984	1,836,334	1,763,604	2,094,529
Long-term liabilities:						
Due within one year	130,457	500,109	551,086	700,185	681,543	1,200,294
Net pension liability	2,946,582	3,606,523	1,603,503	2,340,047	4,550,085	5,946,570
Net OPEB liability	819,516	768,391	1,148,487	1,146,786	1,968,003	1,915,177
Other amounts	179,613	178,377	1,628,714	2,211,466	1,808,327	2,389,843
Total liabilities	<u>4,303,788</u>	<u>5,311,595</u>	<u>6,467,774</u>	<u>8,234,818</u>	<u>10,771,562</u>	<u>13,546,413</u>
<u>Deferred inflows of resources</u>						
Property taxes	336,427	285,528	-	-	336,427	285,528
Pension	471,462	138,982	440,659	125,048	912,121	264,030
OPEB	267,968	177,490	222,643	58,931	490,611	236,421
Total deferred inflows of resources	<u>1,075,857</u>	<u>602,000</u>	<u>663,302</u>	<u>183,979</u>	<u>1,739,159</u>	<u>785,979</u>
<u>Net position</u>						
Net investment in capital assets	3,557,252	3,302,721	11,344,497	10,466,859	14,901,749	13,769,580
Restricted	155,585	87,228	-	-	155,585	87,228
Unrestricted	<u>(1,970)</u>	<u>(380,167)</u>	<u>8,379,521</u>	<u>8,527,834</u>	<u>8,377,551</u>	<u>8,147,667</u>
Total net position	<u>\$ 3,710,867</u>	<u>\$ 3,009,782</u>	<u>\$ 19,724,018</u>	<u>\$ 18,994,693</u>	<u>\$ 23,434,885</u>	<u>\$ 22,004,475</u>

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

CITY OF HUBBARD, OHIO

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

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

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2020, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$23,434,885. At year-end, net position was \$3,710,867 and \$19,724,018 for the governmental activities and the business-type activities, respectively.

CITY OF HUBBARD, OHIO

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

Capital assets reported on the government-wide statements represent the largest portion of the City's assets, representing 49.05% of total assets at December 31, 2020. Capital assets include land, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure, and construction in progress. The City's net investment in capital assets at December 31, 2020, was \$3,557,252 and \$11,344,497 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's net investment in capital assets is reported net of related long-term obligations, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$155,585, represents resources that are subject to external restriction on how they may be used. The unrestricted net position was a deficit of \$1,970. The deficit unrestricted net position for governmental activities is due to reporting the net pension and net OPEB liabilities.

The following table presents a comparative analysis of changes in net position for 2020 and 2019.

	Change in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 25,101	\$ 38,605	\$ 9,986,477	\$ 10,348,484	\$ 10,011,578	\$ 10,387,089
Operating grants and contributions	<u>1,167,542</u>	<u>501,526</u>	-	-	<u>1,167,542</u>	<u>501,526</u>
Total program revenues	<u>1,192,643</u>	<u>540,131</u>	<u>9,986,477</u>	<u>10,348,484</u>	<u>11,179,120</u>	<u>10,888,615</u>
General revenues:						
Property taxes	310,933	287,195	-	-	310,933	287,195
Income taxes	2,341,105	1,932,027	-	-	2,341,105	1,932,027
Other local taxes	-	-	27,694	28,844	27,694	28,844
Unrestricted grants and entitlements	170,427	167,917	-	-	170,427	167,917
Investment earnings	155,383	163,212	843	14,252	156,226	177,464
Miscellaneous	<u>290,007</u>	<u>202,618</u>	<u>291,026</u>	<u>92,862</u>	<u>581,033</u>	<u>295,480</u>
Total general revenues	<u>3,267,855</u>	<u>2,752,969</u>	<u>319,563</u>	<u>135,958</u>	<u>3,587,418</u>	<u>2,888,927</u>
Total revenues	<u>4,460,498</u>	<u>3,293,100</u>	<u>10,306,040</u>	<u>10,484,442</u>	<u>14,766,538</u>	<u>13,777,542</u>

-Continued

CITY OF HUBBARD, OHIO

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

Change in Net Position (Continued)

	Governmental		Business-type		Total	
	Activities		Activities			
	2020	2019	2020	2019	2020	2019
Expenses:						
General government	514,895	519,544	-	-	514,895	519,544
Security of persons and property	2,067,171	584,779	-	-	2,067,171	584,779
Public health and welfare	16,272	17,824	-	-	16,272	17,824
Transportation	1,049,070	968,021	-	-	1,049,070	968,021
Community environment	23,942	837	-	-	23,942	837
Leisure time activity	79,610	26,678	-	-	79,610	26,678
Other	313	-	-	-	313	-
Interest and fiscal charges	8,140	17,775	-	-	8,140	17,775
Sewer	-	-	1,409,458	1,521,340	1,409,458	1,521,340
Water	-	-	1,690,365	1,573,293	1,690,365	1,573,293
Electric	-	-	6,366,230	6,729,962	6,366,230	6,729,962
Guarantee trust	-	-	8,468	7,916	8,468	7,916
Stormwater	-	-	102,194	120,607	102,194	120,607
Total expenses	<u>3,759,413</u>	<u>2,135,458</u>	<u>9,576,715</u>	<u>9,953,118</u>	<u>13,336,128</u>	<u>12,088,576</u>
Change in net position	701,085	1,157,642	729,325	531,324	1,430,410	1,688,966
Net position at beginning of year (restated)	<u>3,009,782</u>	<u>N/A</u>	<u>18,994,693</u>	<u>18,463,369</u>	<u>22,004,475</u>	<u>N/A</u>
Net position at end of year	<u>\$ 3,710,867</u>	<u>\$ 3,009,782</u>	<u>\$ 19,724,018</u>	<u>\$ 18,994,693</u>	<u>\$ 23,434,885</u>	<u>\$ 22,004,475</u>

Governmental Activities

The net position of the governmental activities increased \$701,085 or 23.29% in 2020. Overall, both revenues and expenses increased, and revenues still exceeded expenses.

The overall increase in revenues was \$1,167,398 or 35.45%. Operating grants and contributions increased in 2020 as a result of money received through the CARES Act. Income taxes also increased, which is mostly due to an increase in taxes receivable at year-end.

The State and federal government contributed to the City a total of \$1,167,542 in operating grants and contributions during 2020. These revenues are restricted to a particular program or purpose. Of the total operating grants and contributions, \$719,775 subsidized the City's transportation programs.

General revenues totaled \$3,267,855 and amounted to 73.26% of total governmental revenues. These revenues primarily consist of property and income tax revenue of 2,652,038. These two revenue sources comprised 59.46% of total governmental revenues in 2020.

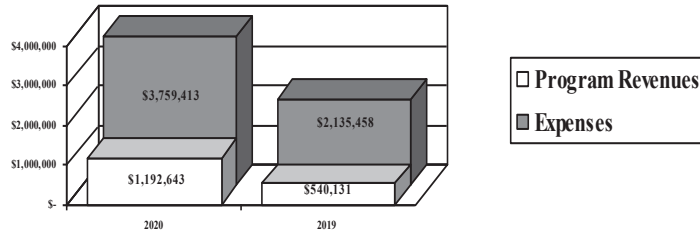
Security of persons and property expenses, which primarily support the operations of the police department, accounted for \$2,067,171 or 54.99% of the total expenses of the City. These expenses were \$1,482,392 or 253.50% higher than the prior year due to the allocations of expenses related to the net pension and net OPEB liabilities.

CITY OF HUBBARD, OHIO

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

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. As can be seen in the graph below, the City is highly dependent upon property and income taxes, as well as unrestricted grants and entitlements and other general revenues, to support its governmental activities.

Governmental Activities – Program Revenues vs. Total Expenses



The following table shows, for governmental activities, the total cost of services and the net cost of services for 2020 and 2019. That is, it identifies the cost of these services supported by tax revenue, unrestricted State grants and entitlements, and other general revenues.

	Governmental Activities			
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2019</u>
Program Expenses:				
General government	\$ 514,895	\$ 509,291	\$ 519,544	\$ 509,725
Security of persons and property	2,067,171	1,621,447	584,779	557,568
Public health and welfare	16,272	14,956	17,824	16,249
Transportation	1,049,070	329,295	968,021	468,142
Community environment	23,942	23,942	837	837
Leisure time activity	79,610	59,386	26,678	25,031
Other	313	313	-	-
Interest and fiscal charges	<u>8,140</u>	<u>8,140</u>	<u>17,775</u>	<u>17,775</u>
Total	<u><u>\$ 3,759,413</u></u>	<u><u>\$ 2,566,770</u></u>	<u><u>\$ 2,135,458</u></u>	<u><u>\$ 1,595,327</u></u>

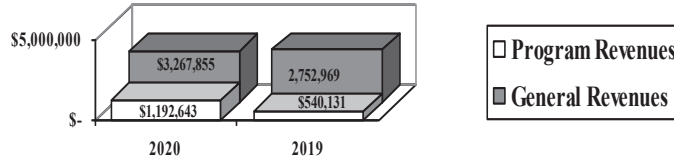
The dependence upon general revenues for governmental activities is apparent, with 68.28% of expenses supported through taxes and other general revenues.

CITY OF HUBBARD, OHIO

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

The following graph shows a comparison of program revenues and general revenues for governmental activities for 2020 and 2019.

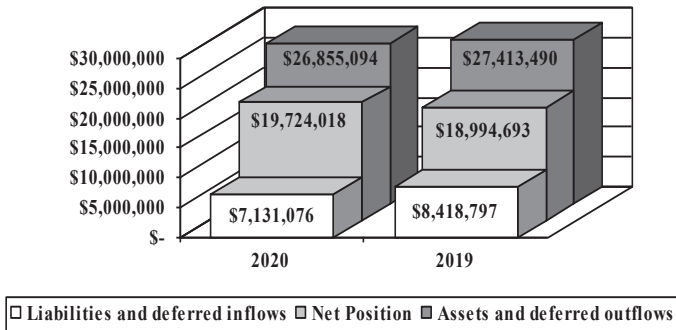
Governmental Activities – Program Revenues and General Revenues



Business-type Activities

Business-type activities include the water, sewer, electric, guarantee trust and stormwater enterprise funds. These programs had program revenues of \$9,986,477, general revenues of \$319,563, and expenses of \$9,576,715 during 2020. The following graph shows the business-type activities assets, deferred outflows of resources, liabilities and net position at December 31, 2020 and December 31, 2019.

Net Position in Business-type Activities



Business-type activities net position increased \$729,325 due to expenses decreasing and revenues decreasing in 2020.

Financial Analysis of the Government’s Funds

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

Governmental Funds

The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements.

CITY OF HUBBARD, OHIO

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

The City's governmental funds, as presented on the balance sheet, reported a combined fund balance of \$3,019,336, which is \$431,575 higher than last year's restated total of \$2,587,761. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2020 and December 31, 2019 for all major and nonmajor governmental funds.

	Fund Balances 12/31/20	Restated Fund Balances 12/31/19	Change
General Fund	\$ 1,969,287	\$ 1,593,015	\$ 376,272
Street construction and maintenance	637,943	482,965	154,978
Nonmajor Governmental Funds	412,106	511,781	(99,675)
Total	\$ 3,019,336	\$ 2,587,761	\$ 431,575

General Fund

The City's general fund balance increased \$376,272 or 23.62%. The table that follows assists in illustrating the revenues of the general fund.

	2020 Amount	2019 Amount	Percentage Change
Revenues			
Taxes	\$ 2,437,877	\$ 2,508,165	(2.80) %
Charges for services	411	647	(36.48) %
Licenses and permits	118,838	121,599	(2.27) %
Fines and forfeitures	20,042	20,737	(3.35) %
Intergovernmental	166,481	160,274	3.87 %
Investment income	155,383	161,211	(3.62) %
Other	171,074	78,565	117.75 %
Total	\$ 3,070,106	\$ 3,051,198	0.62 %

Taxes revenue, consisting of property taxes and income taxes, represents 79.41% of all general fund revenue in 2020. As these revenues decreased in 2020, overall general fund revenues increased 0.62%. The increase in intergovernmental revenue is primarily due to more local government funds being received by the City. Other revenues increased due to greater refunds and reimbursements received when compared to 2019.

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

	2020 Amount	2019 Amount	Percentage Change
Expenditures			
General government	\$ 474,698	\$ 446,805	6.24 %
Security of persons and property	1,497,066	1,754,205	(14.66) %
Public health and welfare	14,734	14,450	1.97 %
Community environment	483	837	(42.29) %
Leisure time activity	1,492	3,205	(53.45) %
Total	\$ 1,988,473	\$ 2,219,502	(10.41) %

CITY OF HUBBARD, OHIO

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

General fund expenditures decreased \$231,029 or 10.41% in 2020. Security of person and property expenditures decreased in 2020 due to decreased personnel services expenditures in the police department. The City was able to use CARES Act funding in 2020 to cover some police salaries that are normally paid for with general fund money.

Street Construction and Maintenance Fund

The street construction and maintenance fund had revenues and other financing sources of \$828,879 and expenditures of \$673,901 in 2020. During 2020, fund balance increased \$154,978 or 32.09%, primarily due to a transfer in of \$263,345 from the general fund.

Budgeting Highlights

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity, then the appropriations can be adjusted accordingly.

In the general fund, actual budgetary-basis revenues and other financing sources of \$2,636,203 were equal to the amount projected in the final budget. Actual budgetary-basis expenditures and other financing uses of \$2,288,851 were \$17,095 less than the amount in the final budget. Budgeted revenues and other financing sources increased \$141,429 or 5.67% from the original to the final budget, with the greatest increase being attributed to transfers in. Budgeted expenditures and other financing uses decreased \$152,289 or (6.20)% from the original to the final budget, primarily due to a decrease in security of persons and property expenditures.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. The only difference between the amounts reported as business-type activities and the amounts reported in the proprietary fund statements are interfund eliminations between proprietary funds and internal balances due to governmental activities for internal service activities. The only interfund activity reported in the government-wide statements are those between business-type activities and governmental activities (reported as internal balances and transfers), whereas interfund amounts between various enterprise funds are reported in the proprietary fund statements.

The City's major enterprise funds are the sewer fund, water fund and electric fund. The water fund reported a decrease in net position for the year, while the sewer and electric funds reported an increase in net position. The activity in all three of these funds were comparable to the prior year.

Capital Assets and Debt Administration

Capital Assets

At the end of 2020, the City had \$17,011,413 (net of accumulated depreciation) invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles, infrastructure and construction in progress. Of this total, \$3,582,338 was reported in governmental activities and \$13,429,075 was reported in business-type activities. See Note 9 in the notes to the basic financial statements for more detail on the City's capital assets.

CITY OF HUBBARD, OHIO

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

The following table shows December 31, 2020 balances compared to December 31, 2019.

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 597,871	\$ 597,871	\$ 180,423	\$ 180,423	\$ 778,294	\$ 778,294
Construction in progress	-	-	-	1,197,338	-	1,197,338
Land improvements	60,582	91,506	9,915	21,946	70,497	113,452
Buildings and improvements	1,236,658	1,285,273	2,270,793	2,405,007	3,507,451	3,690,280
Furniture and equipment	19,245	24,451	1,006,240	1,086,405	1,025,485	1,110,856
Vehicles	255,849	310,570	122,010	122,175	377,859	432,745
Infrastructure	1,412,133	1,388,136	9,839,694	8,579,122	11,251,827	9,967,258
Totals	\$ 3,582,338	\$ 3,697,807	\$ 13,429,075	\$ 13,592,416	\$ 17,011,413	\$ 17,290,223

The overall decrease in governmental capital assets is due to depreciation expense of \$326,962 exceeding capital additions of \$211,493 during 2020. The overall decrease in business-type capital assets is due to the sum of depreciation expense of \$619,044 exceeding capital asset additions of \$455,703.

One of the City's largest governmental capital asset categories is infrastructure, which includes roads, sidewalks, traffic lights and curbs. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents 39.42% of the City's total governmental capital assets. Buildings and improvements is also a significant capital asset category, accounting for 34.52% of the City's total governmental capital assets.

The City's largest business-type capital asset category is infrastructure, which primarily includes water, sewer, and electrical lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents 73.27% of the City's total business-type capital assets.

Debt Administration

At December 31, 2020, the City had long-term obligations totaling \$9,007,958. Of this total, \$681,543 is due within one year and \$8,326,415 is due in more than one year. See Note 13 in the notes to the basic financial statements for more detail on the City's long-term obligations.

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

	Governmental Activities	
	December 31, 2020	December 31, 2019
Refunding bonds	\$ -	\$ 370,000
Compensated absences	284,984	283,400
Net pension liability	2,946,582	3,606,523
Net OPEB liability	819,516	768,391
Capital lease obligation	25,086	25,086
Total long-term obligations	\$ 4,076,168	\$ 5,053,400

CITY OF HUBBARD, OHIO

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

	Business-type Activities	
	December 31, 2020	December 31, 2019
OPWC loans	\$ 239,578	\$ 290,608
OWDA loans	-	102,174
Bond anticipation notes	505,000	645,000
Sewer revenue bonds	1,200,000	1,600,000
Stranded cost liability	2,098	23,507
Net pension liability	1,603,503	2,340,047
Net OPEB liability	1,148,487	1,146,786
Compensated absences	233,124	210,065
Capital lease obligation	-	40,297
Total long-term obligations	<u>\$ 4,931,790</u>	<u>\$ 6,398,484</u>

Economic Conditions and General Fund Budget Outlook

The City’s Administration considers the impact of various economic factors when establishing the 2021 budget. The stabilization of both revenue and expense streams have influenced the objectives established in the 2021 budget. As a result, the City continues to operate its financial decision making conservatively.

The City continues to carefully monitor two primary sources of revenue – local income taxes and shared intergovernmental (state) revenue. In order to sustain these revenue sources, City Council continues to make efforts to maintain the community’s employment base, the community’s reputation for high public safety standards, and adopt a budget designed to promote long-term fiscal stability. In order to meet the objectives of the 2021 budget, the City continues initiatives which contain costs and maintain consistent revenues.

Final budgeted revenues and other financing sources in the general fund for 2020 were \$2,636,203, an increase of \$305,654 or 13.12% from the final 2019 budgeted amount of \$2,330,549. Final budgeted expenditures and other financing uses in the general fund for 2020 were \$2,305,946, an increase of \$7,945 or 0.35% from the final 2019 budgeted amount of \$2,298,001. For the financial reporting purposes of budgetary activity, the general fund is comprised of only the legally budgeted general fund.

The average unemployment rate for Trumbull County in 2020 was 10.2% which represents a substantial increase from the 2019 rate of 6.1%. This is the result of ongoing COVID-19 pandemic disruption. Despite the pandemic, new regional opportunities for industrial development have begun construction including the TJ Maxx Lordstown Distribution Center, as well as construction of the Ultium Cells, LLC battery plant. The Trumbull County unemployment rate compared higher than the 8.1% State of Ohio average as well as the 3.86% national average. The City Auditor anticipates the 2021 rate to decrease due to the decreasing effects of the global COVID-19 pandemic.

Contacting the City’s Financial Management

This financial report is designed to provide our citizens’, taxpayers, and investors and creditors with a general overview of the City’s finances and to show the City’s accountability for the money it receives. If you have questions about this report or need additional financial information contact the City Auditor’s Office, Michael C. Villano, Ph.D., CPA, CMA, CGMA Auditor, City of Hubbard, Ohio, 220 West Liberty Street, Hubbard, Ohio 44425 or visit our website at www.cityofhubbard-oh.gov.

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CITY OF HUBBARD, OHIO
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Total
Assets:			
Equity in pooled cash and cash equivalents	\$ 3,329,412	\$ 10,484,961	\$ 13,814,373
Cash in segregated accounts	550	301	851
Receivables (net of allowance for uncollectibles):			
Income taxes	598,623	-	598,623
Real and other taxes	384,723	4,119	388,842
Accounts	79,881	902,227	982,108
Special assessments	16,679	-	16,679
Internal balance	(80,561)	80,561	-
Due from other governments	314,557	1,025	315,582
Prepayments	50,298	99,316	149,614
Materials and supplies inventory	28,461	503,120	531,581
Investment in joint ventures	-	61,849	61,849
Regulatory asset	-	764,908	764,908
Net pension asset	14,379	33,895	48,274
Capital assets:			
Nondepreciable capital assets	597,871	180,423	778,294
Depreciable capital assets, net	2,984,467	13,248,652	16,233,119
Total capital assets	<u>3,582,338</u>	<u>13,429,075</u>	<u>17,011,413</u>
Total assets	<u>8,319,340</u>	<u>26,365,357</u>	<u>34,684,697</u>
Deferred outflows of resources:			
Pension	480,170	289,598	769,768
OPEB	291,002	200,139	491,141
Total deferred outflows of resources	<u>771,172</u>	<u>489,737</u>	<u>1,260,909</u>
Liabilities:			
Accounts payable	52,408	546,996	599,404
Accrued wages and benefits	55,150	46,336	101,486
Due to other governments	30,562	22,984	53,546
Accrued interest payable	-	16,858	16,858
Claims payable	89,500	-	89,500
Bond anticipation notes payable	-	140,000	140,000
Regulatory liability	-	762,810	762,810
Long-term liabilities:			
Due within one year	130,457	551,086	681,543
Due in more than one year:			
Net pension liability	2,946,582	1,603,503	4,550,085
Net OPEB liability	819,516	1,148,487	1,968,003
Other amounts due in more than one year	179,613	1,628,714	1,808,327
Total liabilities	<u>4,303,788</u>	<u>6,467,774</u>	<u>10,771,562</u>
Deferred inflows of resources:			
Property and other taxes levied for the next fiscal year	336,427	-	336,427
Pension	471,462	440,659	912,121
OPEB	267,968	222,643	490,611
Total deferred inflows of resources	<u>1,075,857</u>	<u>663,302</u>	<u>1,739,159</u>
Net position:			
Net investment in capital assets	3,557,252	11,344,497	14,901,749
Restricted for:			
Street construction and maintenance	25,525	-	25,525
State highway	35,896	-	35,896
Law enforcement	28,440	-	28,440
Cemetery	5,067	-	5,067
Other purposes	51,363	-	51,363
Perpetual care	9,294	-	9,294
Unrestricted (deficit)	(1,970)	8,379,521	8,377,551
Total net position	<u>\$ 3,710,867</u>	<u>\$ 19,724,018</u>	<u>\$ 23,434,885</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental activities:			
General government.	\$ 514,895	\$ 5,604	\$ -
Security of persons and property	2,067,171	18,181	427,543
Public health and welfare	16,272	1,316	-
Transportation.	1,049,070	-	719,775
Community environment	23,942	-	-
Leisure time activity.	79,610	-	20,224
Other	313	-	-
Interest and fiscal charges.	8,140	-	-
Total governmental activities	<u>3,759,413</u>	<u>25,101</u>	<u>1,167,542</u>
Business-type activities:			
Sewer.	1,409,458	1,449,335	-
Water.	1,690,365	1,614,028	-
Electric.	6,366,230	6,792,123	-
Other business-type activities:			
Guarantee trust.	8,468	-	-
Stormwater.	102,194	130,991	-
Total business-type activities	<u>9,576,715</u>	<u>9,986,477</u>	<u>-</u>
Total primary government	<u>\$ 13,336,128</u>	<u>\$ 10,011,578</u>	<u>\$ 1,167,542</u>

General Revenues:

Property taxes levied for:	
General purposes	
Hubbard Union Cemetary.	
Police pension.	
Income taxes levied for:	
General purposes	
Other local taxes	
Grants and entitlements not restricted	
to specific programs	
Investment earnings	
Miscellaneous	
Total general revenues	
Change in net position	
Net position at beginning of year (restated).	
Net position at end of year.	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Position**

Governmental Activities	Business-type Activities	Total
\$ (509,291)	\$ -	\$ (509,291)
(1,621,447)	-	(1,621,447)
(14,956)	-	(14,956)
(329,295)	-	(329,295)
(23,942)	-	(23,942)
(59,386)	-	(59,386)
(313)	-	(313)
(8,140)	-	(8,140)
<u>(2,566,770)</u>	<u>-</u>	<u>(2,566,770)</u>
-	39,877	39,877
-	(76,337)	(76,337)
-	425,893	425,893
-	(8,468)	(8,468)
-	28,797	28,797
-	<u>409,762</u>	<u>409,762</u>
<u>(2,566,770)</u>	<u>409,762</u>	<u>(2,157,008)</u>
258,304	-	258,304
23,159	-	23,159
29,470	-	29,470
2,341,105	-	2,341,105
-	27,694	27,694
170,427	-	170,427
155,383	843	156,226
<u>290,007</u>	<u>291,026</u>	<u>581,033</u>
3,267,855	319,563	3,587,418
701,085	729,325	1,430,410
<u>3,009,782</u>	<u>18,994,693</u>	<u>22,004,475</u>
<u>\$ 3,710,867</u>	<u>\$ 19,724,018</u>	<u>\$ 23,434,885</u>

CITY OF HUBBARD, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020

	<u>General</u>	<u>Street Construction and Maintenance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 1,777,483	\$ 536,589	\$ 404,338	\$ 2,718,410
Cash in segregated accounts.	200	350	-	550
Receivables (net of allowance for uncollectibles):				
Income taxes.	598,623	-	-	598,623
Real and other taxes	322,992	-	61,731	384,723
Accounts.	28,118	-	-	28,118
Special assessments	16,679	-	-	16,679
Due from other governments.	70,985	220,912	22,660	314,557
Prepayments	23,401	26,886	11	50,298
Materials and supplies inventory.	8,035	20,426	-	28,461
Total assets	<u>\$ 2,846,516</u>	<u>\$ 805,163</u>	<u>\$ 488,740</u>	<u>\$ 4,140,419</u>
Liabilities:				
Accounts payable.	\$ 42,992	\$ 9,416	\$ -	\$ 52,408
Accrued wages and benefits.	43,511	11,639	-	55,150
Due to other governments	24,653	5,753	156	30,562
Total liabilities	<u>111,156</u>	<u>26,808</u>	<u>156</u>	<u>138,120</u>
Deferred inflows of resources:				
Property and other taxes levied for the next fiscal year.	282,486	-	53,941	336,427
Income tax revenue not available	387,204	-	-	387,204
Delinquent property tax revenue not available.	34,448	-	6,625	41,073
Special assessments revenue not available.	16,679	-	-	16,679
Intergovernmental revenue not available.	45,256	140,412	15,912	201,580
Total deferred inflows of resources	<u>766,073</u>	<u>140,412</u>	<u>76,478</u>	<u>982,963</u>
Fund balances:				
Nonspendable	39,191	47,312	11	86,514
Restricted.	-	590,631	165,798	756,429
Committed	-	-	41,424	41,424
Assigned	204,215	-	204,873	409,088
Unassigned.	1,725,881	-	-	1,725,881
Total fund balances.	<u>1,969,287</u>	<u>637,943</u>	<u>412,106</u>	<u>3,019,336</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,846,516</u>	<u>\$ 805,163</u>	<u>\$ 488,740</u>	<u>\$ 4,140,419</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

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

Total governmental fund balances		\$	3,019,336
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			3,582,338
Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows of resources in the funds.			
Income taxes receivable	\$	387,204	
Property taxes receivable		41,073	
Special assessments receivable		16,679	
Intergovernmental receivable		201,580	
Total		646,536	646,536
An internal service fund is used by management to charge the costs of health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities on the statement of net position.			573,265
An internal balance is recorded in governmental activities to reflect underpayments or overpayments to the internal service fund by the business-type activities.			(80,561)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences payable		(284,984)	
Capital lease payable		(25,086)	
Total		(310,070)	(310,070)
The net pension asset/liability is not due and receivable/payable in the current period; therefore, the asset, liability and related deferred inflows/outflows of resources are not reported in the governmental funds:			
Deferred outflows of resources - pension		480,170	
Deferred inflows of resources - pension		(471,462)	
Net pension asset		14,379	
Net pension liability		(2,946,582)	
Total		(2,923,495)	(2,923,495)
The net OPEB liability is not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.			
Deferred outflows of resources		291,002	
Deferred inflows of resources		(267,968)	
Net OPEB liability		(819,516)	
Total		(796,482)	(796,482)
Net position of governmental activities		\$	3,710,867

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

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

	<u>General</u>	<u>Street Construction and Maintenance</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Income taxes	\$ 2,174,419	\$ -	\$ -	\$ 2,174,419
Property and other taxes	263,458	-	50,574	314,032
Charges for services	411	-	1,050	1,461
Licenses and permits	118,838	-	14,919	133,757
Fines and forfeitures	20,042	-	2,103	22,145
Intergovernmental	166,481	520,750	521,927	1,209,158
Investment income	155,383	5,606	314	161,303
Other	171,074	39,178	6,966	217,218
Total revenues	<u>3,070,106</u>	<u>565,534</u>	<u>597,853</u>	<u>4,233,493</u>
Expenditures:				
Current:				
General government	474,698	-	-	474,698
Security of persons and property	1,497,066	-	216,636	1,713,702
Public health and welfare	14,734	-	-	14,734
Transportation	-	673,901	43,654	717,555
Community environment	483	-	23,459	23,942
Leisure time activity	1,492	-	75,981	77,473
Other	-	-	313	313
Capital outlay	-	-	400,621	400,621
Debt service:				
Principal retirement	-	-	370,000	370,000
Interest and fiscal charges	-	-	8,880	8,880
Total expenditures	<u>1,988,473</u>	<u>673,901</u>	<u>1,139,544</u>	<u>3,801,918</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,081,633</u>	<u>(108,367)</u>	<u>(541,691)</u>	<u>431,575</u>
Other financing sources (uses):				
Transfers in	-	263,345	442,016	705,361
Transfers out	<u>(705,361)</u>	<u>-</u>	<u>-</u>	<u>(705,361)</u>
Total other financing sources (uses)	<u>(705,361)</u>	<u>263,345</u>	<u>442,016</u>	<u>-</u>
Net change in fund balances	376,272	154,978	(99,675)	431,575
Fund balances at beginning of year (restated)	<u>1,593,015</u>	<u>482,965</u>	<u>511,781</u>	<u>2,587,761</u>
Fund balances at end of year	<u>\$ 1,969,287</u>	<u>\$ 637,943</u>	<u>\$ 412,106</u>	<u>\$ 3,019,336</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

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

Net change in fund balances - total governmental funds	\$	431,575
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 211,493	
Current year depreciation	(326,962)	
Total		(115,469)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Income taxes	166,686	
Property taxes	(3,099)	
Special assessments	(71)	
Intergovernmental revenues	63,489	
Total		227,005
In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.		
		740
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		370,000
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension		199,335
OPEB		4,431
Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension		(409,482)
OPEB		(73,766)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		(39,854)
An internal service fund used by management to charge the costs of health insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund, net of internal balance activity of \$64,475, is:		
		106,570
Change in net position of governmental activities	\$	701,085

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF HUBBARD, OHIO

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property and other taxes	\$ 249,323	\$ 263,458	\$ 263,458	\$ -
Charges for services	390	412	412	-
Licenses and permits	113,012	119,419	119,419	-
Fines and forfeitures	18,781	19,846	19,846	-
Intergovernmental	347,636	367,343	367,343	-
Investment income	147,047	155,383	155,383	-
Other	161,128	170,262	170,262	-
Total revenues	1,037,317	1,096,123	1,096,123	-
Expenditures:				
Current:				
General government	375,835	352,526	344,437	8,089
Security of persons and property	1,859,500	1,725,720	1,717,421	8,299
Public health and welfare	15,000	15,000	14,734	266
Community environment	900	600	580	20
Leisure time activity	7,000	1,600	1,492	108
Total expenditures	2,258,235	2,095,446	2,078,664	16,782
Excess of expenditures over revenues	(1,220,918)	(999,323)	(982,541)	16,782
Other financing sources (uses):				
Transfers in	1,457,457	1,540,080	1,540,080	-
Transfers out	(200,000)	(210,500)	(210,187)	313
Total other financing sources (uses)	1,257,457	1,329,580	1,329,893	313
Net change in fund balance	36,539	330,257	347,352	17,095
Fund balance at beginning of year	1,424,789	1,424,789	1,424,789	-
Fund balance at end of year	\$ 1,461,328	\$ 1,755,046	\$ 1,772,141	\$ 17,095

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ 528,000	\$ 526,972	\$ 526,968	\$ (4)
Investment income	5,000	5,600	5,606	6
Other	5,000	39,176	39,178	2
Total revenues	<u>538,000</u>	<u>571,748</u>	<u>571,752</u>	<u>4</u>
Expenditures:				
Current:				
Transportation	849,700	694,950	669,852	25,098
Debt service:				
Principal retirement	24,500	-	-	-
Interest and fiscal charges	1,500	-	-	-
Total expenditures	<u>875,700</u>	<u>694,950</u>	<u>669,852</u>	<u>25,098</u>
Excess of expenditures over revenues	<u>(337,700)</u>	<u>(123,202)</u>	<u>(98,100)</u>	<u>25,102</u>
Other financing sources:				
Transfers in	<u>265,000</u>	<u>263,349</u>	<u>263,345</u>	<u>(4)</u>
Total other financing sources	<u>265,000</u>	<u>263,349</u>	<u>263,345</u>	<u>(4)</u>
Net change in fund balances	(72,700)	140,147	165,245	25,098
Fund balances at beginning of year	<u>371,344</u>	<u>371,344</u>	<u>371,344</u>	<u>-</u>
Fund balance at end of year	<u><u>\$ 298,644</u></u>	<u><u>\$ 511,491</u></u>	<u><u>\$ 536,589</u></u>	<u><u>\$ 25,098</u></u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2020

	Business-type Activities - Enterprise Funds					Governmental Activities - Internal Service Fund
	Sewer	Water	Electric	Nonmajor	Total	
Assets:						
Current assets:						
Equity in pooled cash and cash equivalents	\$ 2,482,014	\$ 1,572,351	\$ 5,866,241	\$ 564,355	\$ 10,484,961	\$ 611,002
Cash in segregated accounts	-	301	-	-	301	-
Receivables (net of allowance for uncollectibles):						
Real and other taxes	-	-	4,119	-	4,119	-
Accounts	115,386	130,386	639,190	17,265	902,227	51,763
Due from other governments	1,025	-	-	-	1,025	-
Prepayments	25,567	33,280	40,469	-	99,316	-
Materials and supplies inventory	16,425	78,178	408,517	-	503,120	-
Total current assets	2,640,417	1,814,496	6,958,536	581,620	11,995,069	662,765
Noncurrent assets:						
Net pension asset	9,983	9,971	13,941	-	33,895	-
Investment in joint ventures	-	-	61,849	-	61,849	-
Regulatory asset	-	-	764,908	-	764,908	-
Capital assets:						
Nondepreciable capital assets	95,078	85,345	-	-	180,423	-
Depreciable capital assets, net	7,224,239	4,090,628	1,702,314	231,471	13,248,652	-
Total capital assets	7,319,317	4,175,973	1,702,314	231,471	13,429,075	-
Total noncurrent assets	7,329,300	4,185,944	2,543,012	231,471	14,289,727	-
Total assets	9,969,717	6,000,440	9,501,548	813,091	26,284,796	662,765
Deferred outflows of resources:						
Pension	101,726	79,450	108,422	-	289,598	-
OPEB	69,852	54,412	75,875	-	200,139	-
Total deferred outflows of resources	171,578	133,862	184,297	-	489,737	-
Liabilities:						
Current liabilities:						
Accounts payable	3,794	106,117	437,085	-	546,996	-
Accrued wages and benefits	13,953	14,051	18,332	-	46,336	-
Compensated absences	17,979	16,723	65,354	-	100,056	-
Due to other governments	6,551	6,198	10,235	-	22,984	-
Claims payable	-	-	-	-	-	89,500
Regulatory liability	-	-	762,810	-	762,810	-
Current portion of OPWC loans	13,304	37,726	-	-	51,030	-
Bond anticipation notes payable	-	-	140,000	-	140,000	-
Current portion of revenue bonds	400,000	-	-	-	400,000	-
Accrued interest payable	3,516	-	13,342	-	16,858	-
Total current liabilities	459,097	180,815	1,447,158	-	2,087,070	89,500
Long-term liabilities:						
Revenue bonds payable	800,000	-	-	-	800,000	-
OPWC loans	139,688	48,860	-	-	188,548	-
Stranded cost liability	-	-	2,098	-	2,098	-
Bond anticipation notes payable	-	-	505,000	-	505,000	-
Compensated absences	22,028	27,963	83,077	-	133,068	-
Net pension liability	472,270	471,699	659,534	-	1,603,503	-
Net OPEB liability	338,257	337,848	472,382	-	1,148,487	-
Total long-term liabilities	1,772,243	886,370	1,722,091	-	4,380,704	-
Total liabilities	2,231,340	1,067,185	3,169,249	-	6,467,774	89,500
Deferred inflows of resources:						
Pension	103,813	105,618	231,228	-	440,659	-
OPEB	48,159	49,721	124,763	-	222,643	-
Total deferred inflows of resources	151,972	155,339	355,991	-	663,302	-
Net position:						
Net investment in capital assets	5,966,325	4,089,387	1,057,314	231,471	11,344,497	-
Unrestricted	1,791,658	822,391	5,103,291	581,620	8,298,960	573,265
Total net position	\$ 7,757,983	\$ 4,911,778	\$ 6,160,605	\$ 813,091	19,643,457	\$ 573,265
Adjustment to reflect the consolidation of the internal service fund activities related to enterprise funds					80,561	
Net position of business-type activities					\$ 19,724,018	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

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

	Business-type Activities - Enterprise Funds			
	Sewer	Water	Electric	Nonmajor
Operating revenues:				
Charges for services	\$ 1,449,335	\$ 1,614,028	\$ 6,792,123	\$ 130,991
Other	149,034	42,031	89,605	10,356
Total operating revenues.	<u>1,598,369</u>	<u>1,656,059</u>	<u>6,881,728</u>	<u>141,347</u>
Operating expenses:				
Personal services	791,456	670,521	807,288	-
Contract services.	155,560	754,280	5,200,130	105,393
Materials and supplies.	104,464	128,354	228,213	-
Claims expense	-	-	-	-
Other	825	-	-	-
Depreciation.	318,046	150,502	145,227	5,269
Total operating expenses.	<u>1,370,351</u>	<u>1,703,657</u>	<u>6,380,858</u>	<u>110,662</u>
Operating income (loss).	<u>228,018</u>	<u>(47,598)</u>	<u>500,870</u>	<u>30,685</u>
Nonoperating revenues (expenses):				
Interest expense and fiscal charges.	(53,836)	(4,052)	(17,311)	-
Debt issuance costs.	-	-	(463)	-
Investment income.	843	-	-	-
Other nonoperating revenues.	-	-	27,694	-
Total nonoperating revenues (expenses).	<u>(52,993)</u>	<u>(4,052)</u>	<u>9,920</u>	<u>-</u>
Change in net position	175,025	(51,650)	510,790	30,685
Net position at beginning of year	<u>7,582,958</u>	<u>4,963,428</u>	<u>5,649,815</u>	<u>782,406</u>
Net position at end of year	<u>\$ 7,757,983</u>	<u>\$ 4,911,778</u>	<u>\$ 6,160,605</u>	<u>\$ 813,091</u>

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in net position of business-type activities

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 9,986,477	\$ 1,103,079
291,026	-
<u>10,277,503</u>	<u>1,103,079</u>
2,269,265	-
6,215,363	-
461,031	-
-	932,034
825	-
619,044	-
<u>9,565,528</u>	<u>932,034</u>
<u>711,975</u>	<u>171,045</u>
(75,199)	-
(463)	-
843	-
27,694	-
<u>(47,125)</u>	<u>-</u>
664,850	171,045
	<u>402,220</u>
	<u>\$ 573,265</u>
<u>64,475</u>	
<u>\$ 729,325</u>	

CITY OF HUBBARD, OHIO

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

Business-type Activities - Enterprise Funds

	Sewer	Water	Electric	Nonmajor
Cash flows from operating activities:				
Cash received from customers	\$ 1,451,290	\$ 1,612,460	\$ 6,741,685	\$ 130,438
Cash received from other operations	149,887	42,031	89,605	10,356
Cash payments for personal services	(677,736)	(609,343)	(865,593)	-
Cash payments for contract services	(341,895)	(697,525)	(5,195,448)	(105,393)
Cash payments for materials and supplies	(280,027)	(124,335)	(217,039)	-
Cash payments for claims	-	-	-	-
Cash payments for other expenses	(1,850)	-	-	-
Net cash provided by operating activities	299,669	223,288	553,210	35,401
Cash flows from noncapital financing activities:				
Cash received from property and other taxes	-	-	27,560	-
Net cash provided by noncapital financing activities	-	-	27,560	-
Cash flows from capital and related financing activities:				
Acquisition of capital assets	(435,883)	(9,910)	(9,910)	-
Note issuance	-	-	645,000	-
Principal retirement	(413,304)	(139,900)	(825,297)	-
Interest and fiscal charges	(55,008)	(4,052)	(30,309)	-
Debt issuance costs	-	-	(5,463)	-
Premium on debt issuance	-	-	5,463	-
Net cash used in capital and related financing activities	(904,195)	(153,862)	(220,516)	-
Cash flows from investing activities:				
Interest received	843	-	-	-
Net cash provided by investing activities	843	-	-	-
Net change in cash and cash equivalents	(603,683)	69,426	360,254	35,401
Cash and cash equivalents at beginning of year	3,085,697	1,503,226	5,505,987	528,954
Cash and cash equivalents at end of year	<u>\$ 2,482,014</u>	<u>\$ 1,572,652</u>	<u>\$ 5,866,241</u>	<u>\$ 564,355</u>

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 9,935,873	\$ 1,056,370
291,879	-
(2,152,672)	-
(6,340,261)	-
(621,401)	-
-	(948,834)
<u>(1,850)</u>	<u>-</u>
1,111,568	107,536
<u>27,560</u>	<u>-</u>
<u>27,560</u>	<u>-</u>
(455,703)	-
645,000	-
(1,378,501)	-
(89,369)	-
(5,463)	-
<u>5,463</u>	<u>-</u>
<u>(1,278,573)</u>	<u>-</u>
<u>843</u>	<u>-</u>
<u>843</u>	<u>-</u>
(138,602)	107,536
10,623,864	503,466
<u>\$ 10,485,262</u>	<u>\$ 611,002</u>

--Continued

CITY OF HUBBARD, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2020

	Business-type Activities - Enterprise Funds			
	<u>Sewer</u>	<u>Water</u>	<u>Electric</u>	<u>Nonmajor</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:				
Operating income (loss)	\$ 228,018	\$ (47,598)	\$ 500,870	\$ 30,685
Adjustments:				
Depreciation	318,046	150,502	145,227	5,269
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources:				
Materials and supplies inventory	326	7,438	4,553	-
Accounts receivable.	1,955	(1,568)	(71,847)	(553)
Due from other governments	(172)	-	-	-
Prepayments.	(2,507)	(121)	(330)	-
Net pension asset.	(4,082)	(3,979)	(4,263)	-
Deferred outflows - pension	130,855	116,976	208,529	-
Deferred outflows - OPEB	(18,014)	(28,950)	(34,748)	-
Accounts payable	(47,143)	53,453	33,042	-
Contracts payable.	(134,953)	-	-	-
Retainage payable.	(172,525)	-	-	-
Accrued wages and benefits.	(2,566)	(643)	(5,974)	-
Due to other governments.	(5,871)	(694)	(2,614)	-
Compensated absences payable	11,558	5,405	6,096	-
Claims payable	-	-	-	-
Net pension liability	(167,912)	(178,288)	(390,344)	-
Net OPEB liability	24,523	19,309	(42,131)	-
Deferred inflows - pension	92,825	87,502	135,284	-
Deferred inflows - OPEB	47,308	44,544	71,860	-
Net cash provided by operating activities	<u>\$ 299,669</u>	<u>\$ 223,288</u>	<u>\$ 553,210</u>	<u>\$ 35,401</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
\$ 711,975	\$ 171,045
619,044	-
12,317	-
(72,013)	(46,709)
(172)	-
(2,958)	-
(12,324)	-
456,360	-
(81,712)	-
39,352	-
(134,953)	-
(172,525)	-
(9,183)	-
(9,179)	-
23,059	-
-	(16,800)
(736,544)	-
1,701	-
315,611	-
163,712	-
\$ 1,111,568	\$ 107,536

CITY OF HUBBARD, OHIO

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020

	<u>Custodial</u>
Assets:	
Equity in pooled cash and cash equivalents	\$ 750
Total assets	<u>750</u>
Net position:	
Restricted for other purposes.	<u>750</u>
Total net position	<u>\$ 750</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HUBBARD, OHIO

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

	Custodial
Additions:	
Fines and forfeitures collected for other governments	\$ 4,833
Total additions	4,833
 Deductions:	
Fines and forfeitures distributed for other governments	4,833
Total deductions.	4,833
 Change in net position	-
 Net position at beginning of year (restated)	\$ 750
 Net position at end of year	\$ 750

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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CITY OF HUBBARD, OHIO

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

NOTE 1 - DESCRIPTION OF THE CITY

The City of Hubbard, Ohio (the “City”) was created in 1868. It is located in Trumbull County and is a politic and corporate body established for the purpose of exercising the rights and privileges conveyed to it by the Constitution and laws of the State of Ohio. The City operates under a Council-Mayor form of government and provides the following services to its residents: public safety (police), Mayor’s Court, highways and streets, public improvements, community development (planning and zoning), water, sewer, electric, parks and recreation and general administrative services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The City’s significant accounting policies are described below.

A. Reporting Entity

The City’s reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units” and GASB Statement No. 61, “The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34”. 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, this includes police protection, parks and recreation, water and sewer service, street maintenance and repairs and general administrative services.

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; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary government’s financial statements incomplete or misleading. Based upon the application of these criteria, the City has no component units. The basic financial statements of the reporting entity include only those of the City (the primary government).

The following organizations are described due to their relationship to the City:

JOINTLY GOVERNED ORGANIZATIONS

Municipal Energy Services Agency (MESA) - The City has signed an Intergovernmental Joint Venture Agreement with MESA to access a pool of personnel experienced in the planning, management, engineering, construction, safety training and other technical aspects of the operation and maintenance of municipal electric and other utility systems; and to provide those services on call, as needed and as available for the benefit of the City. The City will incur no financial obligation to the jointly governed organization unless and until it avails itself of the services of the jointly governed organization.

CITY OF HUBBARD, OHIO

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

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

Hubbard Township-City of Hubbard Joint Economic Development District (JED District) - The City has entered into a contractual agreement with Hubbard Township to facilitate economic development to create or preserve jobs and employment opportunities and to improve the economic welfare of the people in the State, Trumbull County, Hubbard Township and the City. The JED District is administered by a five member Board of Directors consisting of a Trustee representative of Hubbard Township, a representative of the City, a representative of business owners within the JED District, a representative of persons working within the JED District, and an additional member selected by the previously mentioned members who shall serve as Board Chairman. The City and Hubbard Township are to make a minimum annual contribution of \$500 each to the JED District's operation reserve fund to provide for administrative costs and expenses of the Board of Directors. In 2020, the Board of Directors waived the \$500 annual contribution. The City has an ongoing financial responsibility to fund the JED District. Upon termination of the contractual agreement, any property, assets and obligations of the JED District shall be divided equally between the parties, except that any items of infrastructure constructed by or for anybody shall be retained by that party.

Eagle Joint Fire District (Fire District) - The Eagle Joint Fire District is a jointly governed organization pursuant to the Ohio Revised Code 505.371. The Fire District was formed in 2008 and consists of the City and Hubbard Township. The Fire District Board consists of a Trustee from the City, a Trustee from Hubbard Township and three residents of the Fire District. A new resident is appointed by the City in odd numbered years and by Hubbard Township in even numbered years. Revenues are generated from Fire District levies. During 2020, the City did not make any contributions to the Fire District.

JOINT VENTURE WITH EQUITY INTEREST

Ohio Municipal Electric Generation Agency Joint Ventures (OMEGA JV5) - The City is a Financing Participant with an ownership percentage of 2.07%, and shares participation with forty-one other subdivisions within the State of Ohio in the Ohio Municipal Electric Generation Agency Joint Venture 5 (OMEGA JV5). Financing Participants own undivided interests, as tenants in common, without right of partition in the OMEGA JV5 Project.

Pursuant to the OMEGA Joint Venture JV5 Agreement (Agreement), the participants jointly undertook as Financing Participants, the acquisition, construction, and equipping of OMEGA JV5, including such portions of OMEGA JV5 as have been acquired, constructed or equipped by AMP. OMEGA JV5 was created to construct a 42 Megawatt (MW) run-of-the-river hydroelectric plant (including 40MW of backup generation) and associated transmission facilities (on the Ohio River near the Bellville, West Virginia Locks and Dam) and sells electricity from its operations to OMEGA JV5 Participants.

Pursuant to the Agreement, each participant has an obligation to pay its share of debt service on the Beneficial Interest Certificates (Certificates) from the revenues of its electric system, subject only to the prior payment of Operating & Maintenance Expenses (O&M) of each participant's System, and shall be on a parity with any outstanding and future senior electric system revenue bonds, notes or other indebtedness payable from any revenues of the System. On dissolution of OMEGA JV5, the net assets will be shared by the financing participants on a percentage of ownership basis. Under the terms of the Agreement each participant is to fix, charge and collect rates, fees and charges at least sufficient in order to maintain a debt coverage ratio equal to 110% of the sum of OMEGA JV5 debt service and any other outstanding senior lien electric system revenue obligations. As of December 31, 2020, the City has met their debt coverage obligation.

CITY OF HUBBARD, OHIO

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

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

The Agreement provides that the failure of any JV5 participant to make any payment due by the due date thereof constitutes a default. In the event of a default, OMEGA JV5 may take certain actions including the termination of a defaulting JV5 Participant's entitlement to Project Power. Each Participant may purchase a pro rata share of the defaulting JV5 Participant's entitlement to Project Power, which together with the share of the other non-defaulting JV5 Participants, is equal to the defaulting JV5 Participant's ownership share of the Project, in kilowatts ("Step Up Power") provided that the sum of any such increases shall not exceed, without consent of the non-defaulting JV5 Participant, an accumulated maximum kilowatts equal to 25% of such non-defaulting JV5 Participant's ownership share of the project prior to any such increases.

OMEGA JV5 is managed by AMP, which acts as the joint venture's agent. During 1993 and 2001 AMP issued \$153,415,000 and \$13,899,981 respectively of 30 year fixed rate Beneficial Interest Certificates (Certificates) on behalf of the Financing Participants of OMEGA JV5. The 2001 Certificates accrete to a value of \$56,125,000 on February 15, 2030. The net proceeds of the bond issues were used to construct the OMEGA JV5 Project. On February 17, 2004 the 1993 Certificates were refunded by issuing 2004 Beneficial Interest Refunding Certificates in the amount of \$116,910,000, which resulted in a savings to the membership of \$34,951,833 from the periods 2005 through 2024. On February 15, 2014, all of the 2004 BIRCs were redeemed from funds held under the trust agreement securing the 2004 BIRCs and the proceeds of a promissory note issued to AMP by OMEGA JV5. This was accomplished with a draw on AMP's revolving credit facility. The resulting balance was \$65,891,509 at February 28, 2014. On January 29, 2016, OMEGA JV5 issued the 2016 Beneficial Interest Certificates ("2016 Certificates") in the amount of \$49,745,000 for the purpose of refunding the promissory note to AMP in full. The outstanding amount on the promissory note had been reduced to \$49,243,377 at the time of refunding as compared to its value at December 31, 2015 of \$49,803,187. The promissory note represented the February 2014 redemption of the 2004 Certificates from funds held under the trust agreement securing the 2004 BIRCs.

The City's net investment and its share of operating results of OMEGA JV5 are reported in the City's electric fund (an enterprise fund). The City's net investment to date in OMEGA JV5 was \$61,849 at December 31, 2020. Complete financial statements for OMEGA JV5 may be obtained from AMP or from the State Auditor's website at www.ohioauditor.gov.

The following is a summary of audited financial information for the OMEGA JV5 as of the year ended December 31, 2020:

	<u>OMEGA JV5</u>
Total assets and deferred outflows of resources	\$ 103,024,310
Total liabilities and deferred inflows of resources	100,036,423
Net position	2,987,887
Total revenues	21,698,668
Total expenses	21,698,668
Change in net position	-

The City reports equity interest equal to their undivided ownership percentage of the joint ventures members' equity. The City's undivided ownership of the OMEGA JV5 is 2.07 percent.

The City reports the equity interest of the joint venture on the statement of net position is \$61,849.

CITY OF HUBBARD, OHIO

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

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

The following tables show the major participants and percentage of ownership for the OMEGA JV5:

<u>Participants</u>	<u>Percentage of Ownership</u>
Cuyahoga Falls	16.67
Bowling Green	15.73
Niles	10.63
Napoleon	7.35
Jackson	7.14
Hudson	5.69
Wadsworth	5.62
Oberlin	3.02
New Bremen	2.38
Bryan	2.19
Other	<u>23.58</u>
Total	<u><u>100.00</u></u>

B. Basis of Presentation - Fund Accounting

The City's financial statements consist of government-wide statements, including a statement of net position and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-Wide Financial Statements - The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activities of the internal service fund are eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. On the statement of activities, interfund services provided and used are not eliminated in the process of consolidation.

The statement of net position presents the financial condition of the governmental and business-type activities of the City at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function.

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

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

CITY OF HUBBARD, OHIO

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

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

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

C. Fund Accounting

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

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

General fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street construction and maintenance fund - This fund accounts for the portion of state gasoline tax and motor vehicle registration fees restricted for the maintenance of the streets within the City.

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

Proprietary Funds - Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise funds - The enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

Sewer fund - This fund accounts for the operations of providing sewage services to customers and to maintain the local sewer system of the City.

Water fund - This fund accounts for the operations of providing water services to its customers and to maintain the local water system of the City.

Electric fund - This fund accounts for the operations of providing electric services to customers and to maintain the local electric system of the City.

Other enterprise funds of the City are used to account for guarantee trust and stormwater operations.

CITY OF HUBBARD, OHIO

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

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

Internal service fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on the operations of hospitalization and health insurance.

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 custodial 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. Custodial funds are used to account for other fiduciary activities that are not held in a trust. The City's fiduciary fund is a custodial fund, which accounts for the Mayor's Court fines and forfeitures collected for and distributed to other governments.

D. Measurement Focus and Basis of Accounting

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

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

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

E. Basis of Accounting

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

CITY OF HUBBARD, OHIO

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

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

Revenues - Exchange and Nonexchange Transactions - Revenues 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 the 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 the accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

On the modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, State-levied locally shared taxes (including gasoline tax and local government funds), fines and forfeitures, and fees.

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. See Notes 16 and 17 for deferred outflows of resources related the City's net pension liability and net OPEB liability, respectively.

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 and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2020, but which were levied to finance 2021 operations. These amounts have been recorded as a deferred inflow of resources on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

See Notes 16 and 17 for deferred inflows of resources related to the City's net pension liability/asset and net OPEB liability, respectively. These deferred inflow of resources are only reported on the government-wide statement of net position.

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

CITY OF HUBBARD, OHIO

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

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

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

F. Budgetary Data

The City follows these procedures in establishing the budgetary data reported in the basic financial statements:

Tax Budget - A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. All funds, except custodial funds, are legally required to be budgeted; however, only the general fund and major special revenue funds are required to be reported in the basic financial statements.

Estimated Resources - The County Budget Commission (the "Commission") determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances at December 31. Further amendments may be made during the year if money from a new revenue source is received or if actual receipts exceed current estimates. The amounts reported on budgetary statements reflect the amounts in the original and final amended official certificate of estimated resources issued during the year.

Appropriations - A temporary appropriation measure to control cash expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, function, department and line item level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The appropriations for a fund may only be modified during the year by an ordinance of City Council. The amounts reported on budgetary statements reflect the original and final appropriation amounts, including all amendments and modifications legally enacted by City Council.

Budgeted Level of Expenditures - Administrative control is maintained through the establishment of detailed line-item budgets. Appropriated funds may not be expended for purposes other than those designated in the appropriation ordinance without authority of City Council. Expenditures plus encumbrances may not legally exceed appropriations at the level of appropriation adopted by City Council. For all funds, City Council appropriations are made by fund, function (e.g. security of persons and property), department (e.g. police), and line item (e.g. salaries). This is known as the legal level of budgetary control. Any changes in appropriations outside of the legal level of budgetary control require the approval of City Council by an appropriation amendment ordinance.

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

CITY OF HUBBARD, OHIO

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

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

G. Health Care

The Comprehensive Omnibus Budget Reconciliation Act (COBRA) of 1986 required the City to offer and provide terminated or retired employees continued participation in the City's employee healthcare benefits program, provided that the employees pay the rate established by the plan administrator. The City incurred no expenses or revenues in providing these services. The participating former employees make premium payments directly to the City's insurance provider and the insurance provider is responsible for all claims.

H. Cash and Investments

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. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

The City does not have any investments at December 31, 2020.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. During 2020, interest revenue credited to the general fund amounted to \$155,383, which includes \$136,460 assigned from other City funds.

The City has segregated bank accounts for monies held separate from the City's central bank account. The accounts are presented on the basic financial statements as "cash in segregated accounts" since they are not required to be deposited into the City treasury.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments with an original maturity of three months or less and investments of the cash management pool are considered to be cash equivalents.

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

I. Materials and Supplies Inventory

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

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

Inventory consists of expendable supplies held for consumption.

J. Capital Assets

General capital assets are capital 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. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective funds.

CITY OF HUBBARD, OHIO

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

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and disposals during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$5,000. The City’s infrastructure consists of traffic signals, sidewalks, storm sewers, streets, and water, sewer, and electric lines. Infrastructure acquired prior to the implementation of GASB Statement No. 34 has been reported. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not. Interest incurred during the construction of capital assets is also capitalized for business-type activities.

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-type Activities Estimated Lives</u>
Autos and trucks	8	8
Machinery, equipment, furniture and fixtures	5 - 20	5 - 20
Building improvements	15	15
Sewer and water treatment plants and buildings	N/A	20 - 40
Other buildings	40	40
Infrastructure	15 - 30	20 - 50
Land improvements	15 - 20	15 - 20

K. Compensated Absences

Compensated absences of the City consist of vacation leave and sick leave to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the City and the employee.

In conformity with GASB Statement No. 16, “Accounting for Compensated Absences”, vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future. For purposes of establishing a liability for severance on those employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service or any employee with at least twenty years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus applicable additional salary related payments. City employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is reimbursed for accumulated vacation and sick leave at various rates.

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

CITY OF HUBBARD, OHIO

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

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

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. Any applicable amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

L. Prepayments

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

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

M. Accrued Liabilities and Long-Term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims payable, compensated absences and net pension/OPEB liability that will be paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year. Bonds are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

N. Interfund Balances

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the year is referred to as interfund balances. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as “internal balances”.

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenses/expenditures in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenses/expenditures to the funds that initially paid for them are not presented on the basic financial statements.

CITY OF HUBBARD, OHIO

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

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

P. Fund Balance

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

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

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

Q. Estimates

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

CITY OF HUBBARD, OHIO

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

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

R. Net Position

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing or liabilities used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. Net position restricted for other purposes consists primarily of resources intended for technological improvements for the Mayor’s Court.

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

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2020.

T. Pensions/Other Postemployment Benefits (OPEB)

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

U. Fair Value Measurements

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For 2020, the City has implemented GASB Statement No. 83, “Certain Asset Retirement Obligations”, GASB Statement No. 84, “Fiduciary Activities”, GASB Statement No. 88, “Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements”, and GASB Statement No. 90, “Majority Equity Interests - an amendment to GASB Statements No. 14 and No. 61.”

CITY OF HUBBARD, OHIO

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the City.

GASB Statement No. 84 establishes specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business-type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. The City reviewed its agency funds and certain funds will be reported in the new fiduciary classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the City's financial statements.

GASB Statement No. 88 improves the information that is disclosed in notes to the basic financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The implementation of GASB Statement No. 88 did not have an effect on the financial statements of the City.

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. The implementation of GASB Statement No. 90 did not have an effect on the financial statements of the City.

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

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

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Restatement of Net Position and Fund Balances

The implementation of GASB Statement No. 84 had the following effect on fund balance as reported at December 31, 2019:

	General	Street Construction and Maintenance	Other Governmental Funds	Total Governmental Funds
Fund balance as previously reported	\$ 1,593,015	\$ 482,965	\$ 504,209	\$ 2,580,189
GASB Statement No. 84	-	-	7,572	7,572
Restated fund balance, at December 31, 2019	<u>\$ 1,593,015</u>	<u>\$ 482,965</u>	<u>\$ 511,781</u>	<u>\$ 2,587,761</u>

The implementation of GASB Statement No. 84 had the following effect on the net position as reported at December 31, 2019:

	Governmental Activities	Business-type Activities
Net position as previously reported	\$ 3,002,210	\$ 18,994,693
GASB Statement No. 84	7,572	-
Restated net position at December 31, 2019	<u>\$ 3,009,782</u>	<u>\$ 18,994,693</u>

Due to the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting a beginning net position of \$750. Also, related to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. At December 31, 2019, agency funds reported assets and liabilities of \$25,660. In addition, related to the implementation of GASB Statement No. 84, the entity will no longer be reporting private purpose trust funds. At December 31, 2019, private purpose funds reported a net position of \$7,572.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

Inactive deposits are public deposits that the City 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.

CITY OF HUBBARD, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories.

Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
7. The State Treasurer's investment pool, the State Treasury Asset Reserve of Ohio (STAR Ohio); and,
8. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

Protection of the deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. Except as noted above, an investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the City Auditor or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

CITY OF HUBBARD, OHIO

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

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At year end, the City had \$851 in undeposited cash on hand, which is included on the financial statements of the City as part of “cash in segregated accounts”.

B. Deposits with Financial Institutions

At December 31, 2020, the carrying amount of all City deposits was \$13,817,538 and the bank balance of all City deposits was \$14,002,804. Of the bank balance, \$13,752,804 was exposed to custodial risk as discussed below because those deposits were uninsured and uncollateralized and \$250,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by (1) eligible securities pledged to the City’s and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or (2) participation in the OPCS, a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State. Although 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.

C. Reconciliation of Cash and Investments to the Statement of Net Position

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2020:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 13,815,123
Investments	
Cash on hand	851
Total	<u>\$ 13,815,974</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 3,329,962
Business-type activities	10,485,262
Custodial funds	750
Total	<u>\$ 13,815,974</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended December 31, 2020, consisted of the following, as reported on the fund financial statements:

<u>Transfers from general fund to:</u>	<u>Amount</u>
Street construction and maintenance fund	\$ 263,345
Nonmajor governmental funds	442,016
Total governmental funds	<u>\$ 705,361</u>

CITY OF HUBBARD, OHIO

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

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers between governmental funds are eliminated for reporting on the statement of activities. All transfers were made in accordance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

NOTE 6 - PROPERTY TAXES

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

Public utility real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year proceeding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2020 public utility property taxes became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

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

The full tax rate for all City operations for the year ended December 31, 2020 was \$3.10 per \$1,000 of assessed value. The assessed values of real and public utility tangible personal property upon which 2020 property tax receipts were based are as follows:

Real personal property	\$ 124,831,690
Public utility tangible personal property	<u>1,157,670</u>
Total assessed valuation	<u>\$ 125,989,360</u>

CITY OF HUBBARD, OHIO

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

NOTE 7 - LOCAL INCOME TAX

The one and a half percent City income tax, which is not subject to renewal, is levied on substantially all income earned within the City. In addition, the residents of the City are required to pay City income tax on income they earn outside the City, however, full credit is allowed for all income taxes these residents pay to other municipalities. Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City at least quarterly. Major employers are required to remit withholdings to the City monthly. Corporations and self-employed individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually with the City. For governmental funds, income tax revenue is reported to the extent that it is measurable and available to finance current operations at December 31, 2020. Income tax revenue for 2020 was \$2,174,419 in the general fund.

NOTE 8 - RECEIVABLES

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

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

NOTE 9 - CAPITAL ASSETS

A. Governmental activities capital asset activity for the year ended December 31, 2020 was as follows:

	Balance <u>12/31/19</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/20</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 597,871	\$ -	\$ -	\$ 597,871
Total capital assets, not being depreciated	<u>597,871</u>	<u>-</u>	<u>-</u>	<u>597,871</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	616,277	-	-	616,277
Buildings and improvements	2,368,351	-	-	2,368,351
Furniture and equipment	710,042	-	-	710,042
Vehicles	1,706,529	9,910	-	1,716,439
Infrastructure	<u>7,015,207</u>	<u>201,583</u>	<u>-</u>	<u>7,216,790</u>
Total capital assets, being depreciated	<u>12,416,406</u>	<u>211,493</u>	<u>-</u>	<u>12,627,899</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(524,771)	(30,924)	-	(555,695)
Buildings and improvements	(1,083,078)	(48,615)	-	(1,131,693)
Furniture and equipment	(685,591)	(5,206)	-	(690,797)
Vehicles	(1,395,959)	(64,631)	-	(1,460,590)
Infrastructure	<u>(5,627,071)</u>	<u>(177,586)</u>	<u>-</u>	<u>(5,804,657)</u>
Total accumulated depreciation	<u>(9,316,470)</u>	<u>(326,962)</u>	<u>-</u>	<u>(9,643,432)</u>
Total capital assets, being depreciated, net	<u>3,099,936</u>	<u>(115,469)</u>	<u>-</u>	<u>2,984,467</u>
Governmental activities capital assets, net	<u>\$ 3,697,807</u>	<u>\$ (115,469)</u>	<u>\$ -</u>	<u>\$ 3,582,338</u>

CITY OF HUBBARD, OHIO

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

NOTE 9 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental activities as follows:

Governmental activities:

General government	\$ 19,191
Security of persons and property	100,176
Transportation	206,457
Leisure time activity	<u>1,138</u>
Total depreciation expense - governmental activities	<u>\$ 326,962</u>

B. Business-type activities capital asset activity for the year ended December 31, 2020 was as follows:

	<u>Balance</u> <u>12/31/19</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/20</u>
Business-type activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 180,423	\$ -	\$ -	\$ 180,423
Construction in progress	<u>1,197,338</u>	<u>425,973</u>	<u>(1,623,311)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,377,761</u>	<u>425,973</u>	<u>(1,623,311)</u>	<u>180,423</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	320,582	-	-	320,582
Buildings and improvements	5,729,227	-	-	5,729,227
Furniture and equipment	6,903,855	-	-	6,903,855
Vehicles	1,077,049	29,730	-	1,106,779
Infrastructure	<u>17,719,594</u>	<u>1,623,311</u>	<u>-</u>	<u>19,342,905</u>
Total capital assets, being depreciated	<u>31,750,307</u>	<u>1,653,041</u>	<u>-</u>	<u>33,403,348</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(298,636)	(12,031)	-	(310,667)
Buildings and improvements	(3,324,220)	(134,214)	-	(3,458,434)
Furniture and equipment	(5,817,450)	(80,165)	-	(5,897,615)
Vehicles	(954,874)	(29,895)	-	(984,769)
Infrastructure	<u>(9,140,472)</u>	<u>(362,739)</u>	<u>-</u>	<u>(9,503,211)</u>
Total accumulated depreciation	<u>(19,535,652)</u>	<u>(619,044)</u>	<u>-</u>	<u>(20,154,696)</u>
Total capital assets, being depreciated, net	<u>12,214,655</u>	<u>1,033,997</u>	<u>-</u>	<u>13,248,652</u>
Business-type activities capital assets, net	<u>\$ 13,592,416</u>	<u>\$ 1,459,970</u>	<u>\$ (1,623,311)</u>	<u>\$ 13,429,075</u>

Depreciation expense was charged to business-type activities as follows:

Business-type activities:

Water	\$ 150,502
Sewer	318,046
Electric	145,227
Stormwater (a nonmajor enterprise fund)	<u>5,269</u>
Total depreciation expense - business-type activities	<u>\$ 619,044</u>

CITY OF HUBBARD, OHIO

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

NOTE 10 - EMPLOYEE BENEFITS

Vacation and sick leave accumulated by governmental fund type employees have been recorded in the statement of net position to the extent the liability was due at year end. Vacation and sick leave earned by proprietary fund type employees is expensed when earned and has been recorded in the fund.

Upon termination of City service, a fully vested employee is entitled to a percentage of accumulated sick leave based on years of service. At December 31, 2020, vested benefits for vacation leave for governmental fund type employees totaled \$105,371 and vested benefits for sick leave totaled \$179,613. For proprietary fund type employees, vested benefits for vacation leave totaled \$100,056 and vested benefits for sick leave totaled \$133,068 at December 31, 2020. Not included in the vested benefits for sick leave figures is a liability to accrue and record termination (severance) payments for employees expected to become eligible to retire in the future in accordance with GASB Statement No. 16.

NOTE 11 - CAPITAL LEASES - LESSEE DISCLOSURE

In prior years, the City entered into leases to acquire vehicles. The leases meet the criteria of a capital lease as defined by GASB Statement No. 62, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

For business-type activities, a vehicle has been capitalized in the amount of \$193,606. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the financial statements. Accumulated depreciation on the vehicle at December 31, 2020 was \$108,905, leaving a book value of \$84,701.

For governmental activities, a vehicle has been capitalized in the amount of \$121,769. This amount represents the present value of the minimum lease payments at the time of acquisition. A corresponding liability was recorded in the financial statements. Accumulated depreciation on the vehicle at December 31, 2020 was \$53,274, leaving a book value of \$68,495.

Lease payments in 2020 consisted of principal retirement of \$40,297 paid from the electric fund. The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of December 31, 2020.

Fiscal Year Ending <u>December 31</u>	<u>Governmental Activities</u>
2021	\$ 25,865
Total future minimum lease payments	25,865
Less: amount representing interest	<u>(779)</u>
Present value of future minimum lease payments	<u>\$ 25,086</u>

NOTE 12 - NOTES PAYABLE

Changes in the City's notes payable activity for the year ended December 31, 2020, were as follows:

	Balance <u>12/31/2019</u>	<u>Issued</u>	<u>Retired</u>	Balance <u>12/31/2020</u>
<u>Business-type activities:</u>				
<u>Bond anticipation notes:</u>				
2019 Electric System Improvements - 3.00%	140,000	-	(140,000)	-
2020 Electric System Improvements - 2.25%	<u>\$ -</u>	<u>\$ 140,000</u>	<u>\$ -</u>	<u>\$ 140,000</u>
Total business-type activities notes	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ (140,000)</u>	<u>\$ 140,000</u>

On March 5, 2020 the City issued bond anticipation notes to finance its electric system improvements line of credit liability. The notes are reported as a liability in the electric fund and mature on March 4, 2021.

CITY OF HUBBARD, OHIO

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

NOTE 13 - LONG-TERM OBLIGATIONS

A. The City's long-term obligations at December 31, 2020 were as follows.

Governmental activities:	Interest Rate	Balance 12/31/19	Additions	Reductions	Balance 12/31/20	Amounts Due in One Year
Refunding bonds	0.60-2.40%	\$ 370,000	\$ -	\$ (370,000)	\$ -	
Capital lease obligation	3.10%	25,086	-	-	25,086	25,086
Compensated absences		283,400	131,693	(130,109)	284,984	105,371
Net pension liability		3,606,523		(659,941)	2,946,582	-
Net OPEB liability		768,391	51,125	-	819,516	-
Total long-term obligations, governmental activities		<u>\$ 5,053,400</u>	<u>\$ 182,818</u>	<u>\$ (1,160,050)</u>	<u>\$ 4,076,168</u>	<u>\$ 130,457</u>
Business-type activities:						
<u>OPWC Loans (direct borrowing):</u>						
Bar Screen Replacement	0.00%	\$ 166,296	\$ -	\$ (13,304)	\$ 152,992	\$ 13,304
Waterline Replacement	0.00%	19,331	-	(7,732)	11,599	7,732
N. Main Waterline	0.00%	104,981	-	(29,994)	74,987	29,994
Total OPWC loans		<u>290,608</u>	<u>-</u>	<u>(51,030)</u>	<u>239,578</u>	<u>51,030</u>
<u>OWDA Loan (direct borrowing):</u>						
Transmission Waterlines	4.00%	102,174	-	(102,174)	-	-
<u>Other Long-term Obligations:</u>						
Compensated absences		210,065	129,743	(106,684)	233,124	100,056
Net pension liability		2,340,047	-	(736,544)	1,603,503	-
Net OPEB liability		1,146,786	1,701	-	1,148,487	-
Capital lease obligation	4.25%	40,297	-	(40,297)	-	-
Bond anticipation notes (direct borrowing)	2.25%	-	505,000	-	505,000	-
Bond anticipation notes (direct borrowing)	3.00%	645,000	-	(645,000)	-	-
Sewer revenue bonds, 2018	3.45%	1,600,000	-	(400,000)	1,200,000	400,000
Stranded cost liability		23,507	-	(21,409)	2,098	-
Total other long-term obligations		<u>6,005,702</u>	<u>636,444</u>	<u>(1,949,934)</u>	<u>4,692,212</u>	<u>500,056</u>
Total long-term obligations, business-type activities		<u>\$ 6,398,484</u>	<u>\$ 636,444</u>	<u>\$ (2,103,138)</u>	<u>\$ 4,931,790</u>	<u>\$ 551,086</u>

Compensated absences will be paid from the fund from which the employee is paid, which is primarily the general fund and the street construction, maintenance, and repair fund for governmental activities and the electric, sewer and water funds for business-type activities. See Note 11 for detail regarding the capital lease obligations. See Note 16 and Note 17 for detail regarding the net pension liability and net OPEB liability, respectively.

B. The City has entered into five debt financing arrangements through the Ohio Public Works Commission (OPWC) to fund a lift station replacement, wastewater bar screen replacement, waterline looping project and two waterline replacements. The amounts due to the OPWC are payable solely from water and sewer revenues. The loan agreements function similar to a line-of-credit agreement. At December 31, 2020, the City has outstanding borrowings of \$86,586 and \$152,992 in the water and sewer funds, respectively. The loan agreements require semi-annual payments based on the actual amount loaned. The OPWC loans are interest free.

CITY OF HUBBARD, OHIO

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

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

OPWC loans are direct borrowings that have terms negotiated directly between the City and the OPWC and are not offered for public sale. In the event of default, the OPWC may (1) charge an 8% default interest rate from the date of the default to the date of the payment and charge the County for all costs incurred by the OPWC in curing the default, (2) in accordance with Ohio Revised Code 164.05, direct the county treasurer of the county in which the City is located to pay the amount of the default from funds that would otherwise be appropriated to the City from such county's undivided local government fund pursuant to ORC 5747.51-5747.53, or (3) at its discretion, declare the entire principal amount of loan then remaining unpaid, together with all accrued interest and other charges, become immediately due and payable.

On March 7, 2019 the City issued bond anticipation notes of \$785,000 in order to finance electric system improvements. The notes are a direct borrowing because they are negotiated directly between the City and the lender and are not offered for public sale. The notes carried an interest rate of 3.00% and matured on March 5, 2020. On March 5, 2020 the City issued bond anticipation notes of \$645,000 to refinance the 2019 notes. \$140,000 is reported as a current liability (see Note 12) and \$505,000 is reported as a long-term liability since it has been refinanced and replaced with debt obligations extending beyond one year past December 31, 2020 (see Note 21 for subsequent events). The notes carry an interest rate of 2.25% and mature on March 4, 2021.

On August 16, 2012, the City issued \$2,890,000 in general obligation capital improvement refunding bonds to refund outstanding general obligation capital improvement bonds. The refunded debt was retired during 2012 and, accordingly, has been removed from the statement of net position. The refunding bonds bear an annual interest rate ranging from 0.60% - 2.40% and mature in 2020. The general obligation refunding bonds are secured by the full faith and credit of the City. The general obligation refunding bonds are repaid from the 2005 general obligation bond retirement fund (a nonmajor governmental fund).

On May 1, 2015, the City issued \$2,000,000 in Sewer System Mortgage Revenue Bonds, Series 2015 for the purpose of funding the Municipal Wastewater Dewatering Equipment Replacement Project. On December 6, 2018, the City issued \$2,000,000 in Sewer System Revenue Bonds, Series 2018 in order to currently refund the \$800,000 outstanding principal on the Series 2015 bonds, and to provide additional funding for sewer system improvements. The refunded debt has been defeased and, accordingly, has been removed from the statement of net position. The Series 2018 bonds carry an interest rate of 3.45% and mature on December 1, 2023.

In 2011, the City was notified it would be held liable for stranded costs associated with the abandonment of the American Municipal Power Generating Station Project ("AMPGS Project"). The City has recorded a long-term obligation for the stranded cost liability in the electric fund (See Note 14 for more detail on the AMPGS Project).

CITY OF HUBBARD, OHIO

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

NOTE 13 - LONG-TERM OBLIGATIONS - (Continued)

The following is the summary of the City’s future annual debt service and interest requirements for long-term obligations:

Year Ending December 31,	OPWC Loans		
	Principal	Interest	Total
2021	\$ 51,030	\$ -	\$ 51,030
2022	47,163	-	47,163
2023	28,302	-	28,302
2024	13,304	-	13,304
2025	13,304	-	13,304
2026 - 2030	66,520	-	66,520
2031 - 2032	19,955	-	19,955
Total	\$ 239,578	\$ -	\$ 239,578

Year Ending December 31,	Sewer Revenue Bonds		
	Principal	Interest	Total
2021	\$ 400,000	\$ 41,400	\$ 441,400
2022	400,000	27,600	427,600
2023	400,000	13,800	413,800
Total	\$ 1,200,000	\$ 82,800	\$ 1,282,800

- C. The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of the property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The assessed valuation used in determining the City’s legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in calculating the City’s legal debt margin excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property and personal property owned or leased by a railroad company and used in railroad operations. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2020, the City’s total debt margin was \$13,233,323, including available funds of \$4,440, and the unvoted debt margin was \$6,929,415.

NOTE 14 - AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT

The City is a member of American Municipal Power (AMP) and has participated in the AMP Generating Station (AMPGS) Project. This project intended to develop a pulverized coal power plant in Meigs County, Ohio. The City’s share was 6,400 kilowatts of a total 771,281 kilowatts, giving the City a 0.83 percent share. The AMPGS Project required participants to sign “take or pay” contracts with AMP. As such, the participants are obligated to pay any costs incurred for the project.

CITY OF HUBBARD, OHIO

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

NOTE 14 - AMERICAN MUNICIPAL POWER GENERATING STATION PROJECT - (Continued)

In November 2009, the participants voted to terminate the AMPGS Project due to projected escalating costs. These costs were therefore deemed *impaired* and participants were obligated to pay costs already incurred. In prior years, the payment of these costs was not considered probable due to AMP's pursuit of legal action to void them. As a result of a March 31, 2014 legal ruling, the AMP Board of Trustees on April 15, 2014 and the AMPGS participants on April 16, 2014 approved the collection of the impaired costs and provided the participants with an estimate of their liability.

The City's estimated share at March 31, 2014 of the impaired costs is \$1,104,718. The City received a credit of \$473,371 related to their participation in the AMP Fremont Energy Center (AFEC) Project, and another credit of \$289,439 related to the AMPGS costs deemed to have future benefit for the project participants, classified as Plant Held for Future Use (PHFU). The City also made payments of \$124,709 leaving a net impaired cost estimate of \$217,199. Because payment is now probable and reasonably estimable, the City is reporting a payable to AMP in its business-type activities and in its electric enterprise fund for these impaired costs. AMP financed these costs on its revolving line of credit. Any additional costs (including line-of-credit interest and legal fees) or amounts received related to the project will impact the City's liability. These amounts will be recorded as they become estimable.

In late 2016, AMP reached a settlement in the Bechtel Corporation litigation. On December 8, 2016, at the AMPGS Participants meeting, options for the allocation of the settlement funds were approved. The AMPGS Participants and the AMP Board of Trustees voted to allocate the settlement among the participants and AMP General Fund based on each participant's original project share in kW including the AMP General Fund's project share.

Since March 31, 2014 the City has made payments of \$239,183 to AMP toward its net impaired cost estimate. Also, since March 31, 2014, the City's allocation of additional costs incurred by the project is \$13,514 and interest expense incurred on AMP's line-of-credit of \$10,568, resulting in a net impaired cost estimate at December 31, 2020 of \$2,098. The City does have a potential PHFU liability of \$140,241 resulting in a net total potential liability of \$142,339, assuming the assets making up the PHFU (principally the land comprising the Meigs County site) have no value and also assuming the City's credit balance would earn zero interest. Stranded costs as well as PHFU costs are subject to change, including future borrowing costs on the AMP line of credit. Activities include negative items such as property taxes as well as positive revenue from leases or sale of all or a portion of the Meigs County site property.

The City intends to recover the costs associated with the AMPGS Project liability and repay AMP over the next several years through a power cost adjustment. Thus, this incurred cost has been capitalized and reported as a regulatory asset in the amount of \$764,908 as of December 31, 2020, as allowed by GASB Codification Re10.

NOTE 15 - RISK MANAGEMENT

A. Comprehensive

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2020, the City was insured through the Argonaut Insurance Group for all property and equipment, general liability, wrongful acts, law enforcement, public official, employment practices, automobile, employee dishonesty, money and securities, inland marine, EDP and umbrella liability. The insurance plan was purchased through Guy G. Latessa Insurance Agency.

CITY OF HUBBARD, OHIO

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

NOTE 15 - RISK MANAGEMENT - (Continued)

The City has transferred risk of loss to the insurance carrier to the extent of the limits below.

<u>Type of Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Property and Equipment Breakdown	\$39,115,389	\$ 5,000
General Liability:		
Per occurrence	1,000,000	0
Aggregate	3,000,000	0
Law Enforcement Liability/Wrongful Acts:		
Per occurrence	1,000,000	10,000
Aggregate	2,000,000	0
Public Official Liability/Wrongful Acts:		
Per occurrence	1,000,000	10,000
Aggregate	2,000,000	0
Employment Practices Liability	1,000,000	10,000
Automobile:		
Liability	1,000,000	0
Comprehensive	1,000,000	500
Collision	1,000,000	500

<u>Type of Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
Employee Dishonesty	\$ 250,000	\$ 500
Money and Securities	5,000	0
Inland Marine - scheduled	868,000	500
EDP	399,000	0
Umbrella Liability	10,000,000	10,000
Inland Marine - hired/leased	200,000	2,500
Cyber Liability	1,000,000	25,000

There has been no significant reduction in insurance coverages from coverages in the prior year. In addition, settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

B. Employee Health Insurance

The City maintains an Employees Health Self-Insurance Fund, which has been classified as an internal service fund in the accompanying basic financial statements. The purpose of this fund is to pay the cost of medical benefits provided to City employees and their covered dependents for which the City is self-insured. The City is self-insured for the first \$45,000 per participant; annual claims above such amounts are paid for by specific stop-loss insurance that the City maintains.

The City had one occurrence in a prior year in which settled claims exceeded the self-insurance amount. The liability for unpaid claims of \$89,500 reported in the internal service fund at December 31, 2020, is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30 "Risk Financing Omnibus", which requires that a liability for claims be reported if information prior to issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The entire claims liability is expected to be paid within one year.

CITY OF HUBBARD, OHIO

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

NOTE 15 - RISK MANAGEMENT - (Continued)

Changes in the claims liability amount for the last two years are:

	Balance at Beginning of Year	Current Claims	Claims Payment	Balance at End of Year
2020	\$ 106,300	\$ 932,034	\$ (948,834)	\$ 89,500
2019	106,800	1,005,086	(1,005,586)	106,300

C. Workers' Compensation

Workers' compensation claims are covered through the City's participation in the State of Ohio's program. The City pays the State Workers' Compensation System a premium based upon a rate of \$100 of payroll plus administrative costs. The rate is determined based on accident history of the City. The City also pays unemployment claims to the State of Ohio as incurred.

NOTE 16 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Asset and Net OPEB Liability

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

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

The proportionate share of each plan's unfunded benefits is presented as a long-term net pension liability/asset on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in due to other governments on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the pension disclosures. See Note 17 for the OPEB disclosures.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
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
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	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	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

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

	State and Local	Public Safety	Law Enforcement
2020 Statutory Maximum Contribution Rates			
Employer	14.0 %	18.1 %	18.1 %
Employee *	10.0 %	**	***
2020 Actual Contribution Rates			
Employer:			
Pension	14.0 %	18.1 %	18.1 %
Post-employment Health Care Benefits ****	0.0 %	0.0 %	0.0 %
Total Employer	14.0 %	18.1 %	18.1 %
Employee	10.0 %	12.0 %	13.0 %

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

** This rate is also determined by OPERS' Board, but is limited by ORC to not more than 2 percent greater than the Public Safety rate.

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

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$247,159 for 2020. Of this amount, \$28,298 is reported as due to other governments.

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$125,715 for 2020. Of this amount, \$20,413 is reported as due to other governments.

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

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

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

	<u>OPERS - Traditional</u>	<u>OPERS - Combined</u>	<u>OPERS - Member- Directed</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the net pension liability/asset prior measurement date	0.01207500%	0.02706100%	0.00986500%	0.03233600%	
Proportion of the net pension liability/asset current measurement date	<u>0.01155400%</u>	<u>0.02296400%</u>	<u>0.01029400%</u>	<u>0.03364280%</u>	
Change in proportionate share	<u>-0.00052100%</u>	<u>-0.00409700%</u>	<u>0.00042900%</u>	<u>0.00130680%</u>	
Proportionate share of the net pension liability	\$ 2,283,726	\$ -	\$ -	\$ 2,266,359	\$ 4,550,085
Proportionate share of the net pension asset	-	(47,885)	(389)	-	(48,274)
Pension expense	298,800	5,486	(229)	302,072	606,129

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	OPERS - Traditional	OPERS - Combined	Member- Directed	OP&F	Total
Deferred outflows of resources					
Differences between expected and actual experience	\$ -	\$ -	\$ 1,304	\$ 85,791	\$ 87,095
Changes of assumptions	121,977	4,936	61	55,631	182,605
Changes in employer's proportionate percentage/difference between employer contributions	35,999	-	-	91,195	127,194
Contributions subsequent to the measurement date	223,258	14,474	9,427	125,715	372,874
Total deferred outflows of resources	<u>\$ 381,234</u>	<u>\$ 19,410</u>	<u>\$ 10,792</u>	<u>\$ 358,332</u>	<u>\$ 769,768</u>
	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
Deferred inflows of resources					
Differences between expected and actual experience	\$ 28,874	\$ 11,241	\$ -	\$ 116,886	\$ 157,001
Net difference between projected and actual earnings on pension plan investments	455,554	6,209	123	109,485	571,371
Changes in employer's proportionate percentage/difference between employer contributions	99,536	-	-	84,213	183,749
Total deferred inflows of resources	<u>\$ 583,964</u>	<u>\$ 17,450</u>	<u>\$ 123</u>	<u>\$ 310,584</u>	<u>\$ 912,121</u>

\$372,878 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2021.

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

Year Ending December 31:	OPERS - Traditional	OPERS - Combined	OPERS - Member- Directed	OP&F	Total
2021	\$ (92,989)	\$ (3,050)	\$ 152	\$ (12,438)	\$ (108,325)
2022	(170,977)	(2,934)	152	(10,335)	(184,094)
2023	18,864	(1,204)	185	36,524	54,369
2024	(180,882)	(3,474)	144	(95,125)	(279,337)
2025	(4)	(646)	171	3,411	2,932
Thereafter	-	(1,206)	438	(4)	(772)
Total	\$ (425,988)	\$ (12,514)	\$ 1,242	\$ (77,967)	\$ (515,227)

Actuarial Assumptions - OPERS

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

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

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

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
City's proportionate share of the net pension liability (asset):			
Traditional Pension Plan	\$ 3,766,604	\$ 2,283,726	\$ 950,663
Combined Plan	(28,935)	(47,885)	(61,544)
Member-Directed Plan	(206)	(389)	(515)

Actuarial Assumptions - OP&F

OP&F’s total pension liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

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

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

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.

CITY OF HUBBARD, OHIO

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

NOTE 16 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net pension liability	\$ 3,141,094	\$ 2,266,359	\$ 1,534,729

NOTE 17 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority allowing public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

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

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

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

The City's contractually required contribution was \$3,771 for 2020. Of this amount, \$432 is reported as due to other governments.

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

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

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

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

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

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

The City's contractually required contribution to OP&F was \$3,308 for 2020. Of this amount, \$537 is reported as due to other governments.

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

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

	OPERS	OP&F	Total
Proportion of the net OPEB liability prior measurement date	0.01243100%	0.03233600%	
Proportion of the net OPEB liability current measurement date	<u>0.01184200%</u>	<u>0.03364280%</u>	
Change in proportionate share	<u>-0.00058900%</u>	<u>0.00130680%</u>	
Proportionate share of the net OPEB liability	\$ 1,635,688	\$ 332,315	\$ 1,968,003
OPEB expense	\$ 138,979	\$ 21,136	\$ 160,115

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred outflows of resources			
Differences between expected and actual experience	\$ 44	\$ -	\$ 44
Changes of assumptions	258,913	194,283	453,196
Changes in employer's proportionate percentage/ difference between employer contributions	22,622	8,200	30,822
Contributions subsequent to the measurement date	3,771	3,308	7,079
Total deferred outflows of resources	<u>\$ 285,350</u>	<u>\$ 205,791</u>	<u>\$ 491,141</u>
	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred inflows of resources			
Differences between expected and actual experience	\$ 149,591	\$ 35,739	\$ 185,330
Net difference between projected and actual earnings on OPEB plan investments	83,288	15,290	98,578
Changes of assumptions	-	70,822	70,822
Changes in employer's proportionate percentage/ difference between employer contributions	67,779	68,102	135,881
Total deferred inflows of resources	<u>\$ 300,658</u>	<u>\$ 189,953</u>	<u>\$ 490,611</u>

\$7,079 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021.

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

Year Ending December 31:	OPERS	OP&F	Total
2021	\$ 15,031	\$ 237	\$ 15,268
2022	1,413	238	1,651
2023	66	3,374	3,440
2024	(35,588)	(1,567)	(37,155)
2025	(1)	1,561	1,560
Thereafter	-	8,687	8,687
Total	\$ (19,079)	\$ 12,530	\$ (6,549)

Actuarial Assumptions - OPERS

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, if any contributions are made into the plans, the contributions are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made. Health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.70% for 2019.

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - A single discount rate of 3.16% was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96% was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00% and a municipal bond rate of 2.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 2,140,560	\$ 1,635,688	\$ 1,231,450

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

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

	1% Decrease	Current Health Care Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 1,587,420	\$ 1,635,688	\$ 1,683,340

Changes between Measurement Date and Reporting Date

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

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Actuarial Assumptions - OP&F

OP&F's total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

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

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

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

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

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

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

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

CITY OF HUBBARD, OHIO

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

NOTE 17 - DEFINED BENEFIT OPEB PLANS - (Continued)

Discount Rate - For 2019, the total OPEB liability was calculated using the discount rate of 3.56%. For 2018, the total OPEB liability was calculated using the discount rate of 4.66%. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8.00%. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75% at December 31, 2019 and 4.13% at December 31, 2018, was blended with the long-term rate of 8.00%, which resulted in a blended discount rate of 3.56% for 2019 and 4.66% for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

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

	1% Decrease	Current Discount Rate	1% Increase
City's proportionate share of the net OPEB liability	\$ 412,049	\$ 332,315	\$ 266,061

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate - The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund and street construction maintenance and repair 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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);

CITY OF HUBBARD, OHIO

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

NOTE 18 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis);
- (e) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (f) 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 GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

	<u>General fund</u>	<u>Street Construction and Maintenance fund</u>
Budget basis	\$ 347,352	\$ 165,245
Net adjustment for revenue accruals	(185,530)	(6,218)
Net adjustment for expenditure accruals	1,543,805	(4,049)
Net adjustment for other sources/uses	(1,329,893)	-
Funds budgeted elsewhere	538	-
GAAP basis	<u>\$ 376,272</u>	<u>\$ 154,978</u>

Certain funds that are legally budgeted in separate fund classifications are considered part of the general fund on a GAAP basis. This includes the income tax fund and the unclaimed monies fund.

NOTE 19 - CONTINGENCIES

A. 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, 2020.

B. Litigation

The City is not currently a party to any legal proceedings that would have a materially adverse effect on the financial statements at December 31, 2020.

CITY OF HUBBARD, OHIO

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

NOTE 20 - 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 fund and all nonmajor governmental funds are presented below:

Fund balance	General	Street Construction and Maintenance	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Materials and supplies inventory	\$ 8,035	\$ 20,426	\$ -	\$ 28,461
Prepayments	23,401	26,886	11	50,298
Unclaimed monies	<u>7,755</u>	<u>-</u>	<u>-</u>	<u>7,755</u>
Total nonspendable	<u>39,191</u>	<u>47,312</u>	<u>11</u>	<u>86,514</u>
Restricted:				
Street construction and maintenance	-	590,631	-	590,631
State highway	-	-	24,511	24,511
Law enforcement	-	-	79,803	79,803
Cemetery	-	-	21,978	21,978
Police pension	-	-	30,212	30,212
Perpetual care	<u>-</u>	<u>-</u>	<u>9,294</u>	<u>9,294</u>
Total restricted	<u>-</u>	<u>590,631</u>	<u>165,798</u>	<u>756,429</u>
Committed:				
Law enforcement	-	-	9,914	9,914
Recreation	-	-	29,115	29,115
Other purposes	<u>-</u>	<u>-</u>	<u>2,395</u>	<u>2,395</u>
Total committed	<u>-</u>	<u>-</u>	<u>41,424</u>	<u>41,424</u>
Assigned:				
Debt service	-	-	4,440	4,440
Capital projects	-	-	200,433	200,433
Subsequent year's appropriations	<u>204,215</u>	<u>-</u>	<u>-</u>	<u>204,215</u>
Total assigned	<u>204,215</u>	<u>-</u>	<u>204,873</u>	<u>409,088</u>
Unassigned	<u>1,725,881</u>	<u>-</u>	<u>-</u>	<u>1,725,881</u>
Total fund balances	<u>\$ 1,969,287</u>	<u>\$ 637,943</u>	<u>\$ 412,106</u>	<u>\$ 3,019,336</u>

NOTE 21 - SIGNIFICANT SUBSEQUENT EVENTS

On March 4, 2021, the City issued bond anticipation notes in the amount of \$505,000. The proceeds were used to retire the 2020 electric system improvements bond anticipation notes that matured on March 4, 2021. The notes bear an interest rate of 1.00% and mature on March 3, 2022.

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Traditional Plan:</i>				
City's proportion of the net pension liability	0.011554%	0.012075%	0.011998%	0.012762%
City's proportionate share of the net pension liability	\$ 2,283,726	\$ 3,307,098	\$ 1,882,254	\$ 2,898,033
City's covered payroll	\$ 1,619,343	\$ 1,633,257	\$ 1,590,746	\$ 1,515,550
City's proportionate share of the net pension liability as a percentage of its covered payroll	141.03%	202.48%	118.33%	191.22%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	74.70%	84.66%	77.25%
<i>Combined Plan:</i>				
City's proportion of the net pension asset	0.022964%	0.027061%	0.028392%	0.026830%
City's proportionate share of the net pension asset	\$ 47,885	\$ 30,260	\$ 38,651	\$ 14,933
City's covered payroll	\$ 102,221	\$ 115,736	\$ 116,277	\$ 104,433
City's proportionate share of the net pension asset as a percentage of its covered payroll	46.84%	26.15%	33.24%	14.30%
Plan fiduciary net position as a percentage of the total pension asset	145.28%	126.64%	137.28%	116.55%
<i>Member Directed Plan:</i>				
City's proportion of the net pension asset	0.010294%	0.009865%	0.009507%	0.010347%
City's proportionate share of the net pension asset	\$ 389	\$ 225	\$ 332	\$ 43
City's covered payroll	\$ 61,190	\$ 56,390	\$ 52,110	\$ 53,716
City's proportionate share of the net pension asset as a percentage of its covered payroll	0.64%	0.40%	0.64%	0.08%
Plan fiduciary net position as a percentage of the total pension asset	118.84%	113.42%	124.45%	103.40%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

2016	2015	2014
0.013435%	0.013078%	0.013078%
\$ 2,327,111	\$ 1,577,352	\$ 1,541,726
\$ 1,879,283	\$ 1,584,983	\$ 1,624,262
123.83%	99.52%	94.92%
81.08%	86.45%	86.36%
0.019680%	0.014421%	0.014421%
\$ 9,577	\$ 5,553	\$ 1,513
\$ 50,042	\$ 52,717	\$ 52,292
19.14%	10.53%	2.89%
116.90%	114.83%	104.56%
0.010521%	n/a	n/a
\$ 40	n/a	n/a
\$ 58,592	n/a	n/a
0.07%	n/a	n/a
103.91%	n/a	n/a

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net pension liability	0.03364280%	0.03233600%	0.03312200%	0.03439500%
City's proportionate share of the net pension liability	\$ 2,266,359	\$ 2,639,472	\$ 2,032,833	\$ 2,178,546
City's covered payroll	\$ 907,837	\$ 833,147	\$ 605,900	\$ 731,268
City's proportionate share of the net pension liability as a percentage of its covered payroll	249.64%	316.81%	335.51%	297.91%
Plan fiduciary net position as a percentage of the total pension liability	69.89%	63.07%	70.91%	68.36%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>
0.03403400%	0.03269990%	0.03269990%
\$ 2,189,406	\$ 1,693,991	\$ 1,592,588
\$ 876,253	\$ 767,395	\$ 688,262
249.86%	220.75%	231.39%
66.77%	72.20%	73.00%

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Traditional Plan:</i>				
Contractually required contribution	\$ 223,259	\$ 226,708	\$ 228,656	\$ 206,797
Contributions in relation to the contractually required contribution	<u>(223,259)</u>	<u>(226,708)</u>	<u>(228,656)</u>	<u>(206,797)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,594,707	\$ 1,619,343	\$ 1,633,257	\$ 1,590,746
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%
<i>Combined Plan:</i>				
Contractually required contribution	\$ 14,475	\$ 14,311	\$ 16,203	\$ 15,116
Contributions in relation to the contractually required contribution	<u>(14,475)</u>	<u>(14,311)</u>	<u>(16,203)</u>	<u>(15,116)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 103,393	\$ 102,221	\$ 115,736	\$ 116,277
Contributions as a percentage of covered payroll	14.00%	14.00%	14.00%	13.00%
<i>Member Directed Plan:</i>				
Contractually required contribution	\$ 9,428	\$ 6,119	\$ 5,639	\$ 5,211
Contributions in relation to the contractually required contribution	<u>(9,428)</u>	<u>(6,119)</u>	<u>(5,639)</u>	<u>(5,211)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 94,280	\$ 61,190	\$ 56,390	\$ 52,110
Contributions as a percentage of covered payroll	10.00%	10.00%	10.00%	10.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 181,866	\$ 225,514	\$ 190,198	\$ 211,154	\$ 173,157	\$ 186,715
<u>(181,866)</u>	<u>(225,514)</u>	<u>(190,198)</u>	<u>(211,154)</u>	<u>(173,157)</u>	<u>(186,715)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,515,550	\$ 1,879,283	\$ 1,584,983	\$ 1,624,262	\$ 1,731,570	\$ 1,867,150
12.00%	12.00%	12.00%	13.00%	10.00%	10.00%
\$ 12,532	\$ 6,005	\$ 6,326	\$ 6,798	\$ 6,755	\$ 7,292
<u>(12,532)</u>	<u>(6,005)</u>	<u>(6,326)</u>	<u>(6,798)</u>	<u>(6,755)</u>	<u>(7,292)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 104,433	\$ 50,042	\$ 52,717	\$ 52,292	\$ 84,969	\$ 91,723
12.00%	12.00%	12.00%	13.00%	7.95%	7.95%
\$ 5,103	\$ 7,031				
<u>(5,103)</u>	<u>(7,031)</u>				
<u>\$ -</u>	<u>\$ -</u>				
\$ 42,525	\$ 58,592				
12.00%	12.00%				

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Police:</i>				
Contractually required contribution	\$ 125,716	\$ 172,489	\$ 158,298	\$ 115,121
Contributions in relation to the contractually required contribution	<u>(125,716)</u>	<u>(172,489)</u>	<u>(158,298)</u>	<u>(115,121)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 661,600	\$ 907,837	\$ 833,147	\$ 605,900
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 138,941	\$ 166,488	\$ 145,805	\$ 109,296	\$ 88,047	\$ 101,196
<u>(138,941)</u>	<u>(166,488)</u>	<u>(145,805)</u>	<u>(109,296)</u>	<u>(88,047)</u>	<u>(101,196)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 731,268	\$ 876,253	\$ 767,395	\$ 688,118	\$ 690,565	\$ 793,694
19.00%	19.00%	19.00%	15.88%	12.75%	12.75%

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.011842%	0.012431%	0.012380%	0.013036%
City's proportionate share of the net OPEB liability	\$ 1,635,688	\$ 1,620,709	\$ 1,344,377	\$ 1,316,664
City's covered payroll	\$ 1,782,754	\$ 1,805,383	\$ 1,759,133	\$ 1,673,699
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	91.75%	89.77%	76.42%	78.67%
Plan fiduciary net position as a percentage of the total OPEB liability	47.80%	46.33%	54.14%	54.05%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST FOUR YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's proportion of the net OPEB liability	0.03364280%	0.03233600%	0.03312200%	0.03439500%
City's proportionate share of the net OPEB liability	\$ 332,315	\$ 294,469	\$ 1,876,629	\$ 1,632,653
City's covered payroll	\$ 907,837	\$ 833,147	\$ 605,900	\$ 731,268
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	36.61%	35.34%	309.73%	223.26%
Plan fiduciary net position as a percentage of the total OPEB liability	47.08%	46.57%	14.13%	15.96%

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	\$ 3,771	\$ 2,448	\$ 2,256	\$ 19,154
Contributions in relation to the contractually required contribution	<u>(3,771)</u>	<u>(2,448)</u>	<u>(2,256)</u>	<u>(19,154)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 1,792,380	\$ 1,782,754	\$ 1,805,383	\$ 1,759,133
Contributions as a percentage of covered payroll	0.21%	0.14%	0.12%	1.09%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 34,817	\$ 38,587	\$ 33,077	\$ 16,758	\$ 74,398	\$ 80,229
<u>(34,817)</u>	<u>(38,587)</u>	<u>(33,077)</u>	<u>(16,758)</u>	<u>(74,398)</u>	<u>(80,229)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,662,508	\$ 1,987,917	\$ 1,637,700	\$ 1,676,554	\$ 1,816,539	\$ 1,958,873
2.09%	1.94%	2.02%	1.00%	4.10%	4.10%

CITY OF HUBBARD, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST TEN YEARS

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
<i>Police:</i>				
Contractually required contribution	\$ 3,308	\$ 4,539	\$ 4,166	\$ 3,029
Contributions in relation to the contractually required contribution	<u>(3,308)</u>	<u>(4,539)</u>	<u>(4,166)</u>	<u>(3,029)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll	\$ 661,600	\$ 907,837	\$ 833,147	\$ 605,900
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 3,656	\$ 4,500	\$ 3,330	\$ 24,557	\$ 46,613	\$ 53,574
<u>(3,656)</u>	<u>(4,500)</u>	<u>(3,330)</u>	<u>(24,557)</u>	<u>(46,613)</u>	<u>(53,574)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 731,268	\$ 876,253	\$ 767,395	\$ 688,118	\$ 690,565	\$ 793,694
0.50%	0.50%	0.50%	3.62%	6.75%	6.75%

CITY OF HUBBARD, OHIO

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

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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

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

(Continued)

CITY OF HUBBARD, OHIO

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

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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

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

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OHIO AUDITOR OF STATE KEITH FABER



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

City of Hubbard
Trumbull County
PO Box 307
Hubbard, Ohio 44425

To the Members of Council and Mayor:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hubbard, Trumbull County, (the City) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 27, 2021. We also noted the financial impact of COVID-19 and the continuing emergency measures which may impact subsequent periods of the City.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings that we consider a material weakness. We consider finding 2020-001 to be a material weakness.

Compliance and Other Matters

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

City's Response to Finding

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

Purpose of this Report

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



Keith Faber
Auditor of State
Columbus, Ohio

August 27, 2021

CITY OF HUBBARD
TRUMBULL COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2020

1. **Financial Statements**

FINDING NUMBER 2020-001

MATERIAL WEAKNESS

In our audit engagement letter, as required by AU-C Section 210, *Terms of Engagement*, paragraph .06, management acknowledged its responsibility for the preparation and fair presentation of their financial statements; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error as discussed in AU-C Section 210 paragraphs .A14 & .A16. Governmental Accounting Standards Board (GASB) Cod. 1100 paragraph .101 states a governmental accounting system must make it possible both: (a) to present fairly and with full disclosure the funds and activities of the governmental unit in conformity with generally accepted accounting principles, and (b) to determine and demonstrate compliance with finance-related legal and contractual provisions.

While testing capital asset additions for the Sewer Fund, it was determined that there were two projects that were recorded as an addition to Infrastructure for their original contract amounts not including any change orders. It was also determined that these amounts did not include consulting fees for the projects totaling \$162,894. This caused additions to Infrastructure and Construction in Progress for the sewer fund to be understated by \$215,878, and accumulated depreciation for the sewer fund to be understated by \$2,159. This also caused deletions to Construction in Progress to be understated by this amount.

In addition, during our search for unrecorded liabilities, we discovered one expenditure that occurred in January 2021 that was related to December 2020. This transaction was not picked up as a payable. This resulted in accounts payable for the electric fund to be understated by \$425,304.

The City did not have adequate controls in place to prevent or detect this error.

The financial statements have been adjusted for these errors.

The City should ensure to pick up the full contract amounts for capital asset additions and review the basic financial statements for completeness and accuracy.

Officials' Response: The City has implemented controls to assure that CIP and A/P are properly recognized at year end.

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Office of the Auditor

City of Hubbard, Ohio

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MICHAEL C. VILLANO, PhD, CPA, CMA, CGMA

AUDITOR

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2020

Finding Number	Finding Summary	Status	Additional Information
2019-001	Net Investment in Capital Assets Misposting	Fully Corrected	

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OHIO AUDITOR OF STATE KEITH FABER



CITY OF HUBBARD

TRUMBULL 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 9/23/2021

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

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