CITY OF BELLEFONTAINE LOGAN COUNTY, OHIO

Basic Financial Statements (Audited)

> For the Year Ended December 31, 2019





88 East Broad Street Columbus, Ohio 43215 IPAReport@ohioauditor.gov (800) 282-0370

Members of Council City of Bellefontaine 135 North Detroit Street Bellefontaine, Ohio 43311

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

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

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Keith Faber Auditor of State Columbus, Ohio

August 7, 2020

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CITY OF BELLEFONTAINE LOGAN COUNTY, OHIO

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Independent Auditor's Report

City of Bellefontaine 135 North Detroit Street Bellefontaine, Ohio 43311

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 Bellefontaine, Logan County, Ohio, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Bellefontaine'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 of Bellefontaine'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 of Bellefontaine's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

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

Opinion

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

City of Bellefontaine Logan County Independent Auditor's Report Page 2

Emphasis of Matters

As discussed in Note 20 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City of Bellefontaine. As discussed in Note 19 to the financial statements, during 2019, the City of Bellefontaine adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary* Activities and had prior period adjustments to correct errors in accounting for capital assets and net pension/OPEB liabilities in prior years. We did not modify our opinion regarding these matters.

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 assets and 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 June 23, 2020, on our consideration of the City of Bellefontaine'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 of Bellefontaine's internal control over financial reporting and compliance.

Julian & Sube, the.

Julian & Grube, Inc. June 23, 2020

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent year by \$63.0 million (net position), an increase of \$6.7 million during the year.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of approximately \$12.0 million, an increase of \$1.5 million in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4.8 million, or 53 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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 or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities and conditions.

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

Reporting the City of Bellefontaine as a Whole

Statement of Net Position and Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The Statement of Net Position and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

In these two statements, the City is divided into the following two types of activities:

- Governmental Activities Most of the City's services are reported here including police, fire, administration and all departments, except utilities.
- Business-Type Activities The business-type activities of the City primarily consist of water distribution, sewage collection and treatment, refuse collection, ambulance services, and airport administration.

Reporting the City of Bellefontaine's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds. Based upon restrictions on the use of monies, the City has established many funds which account for the multitude of services provided to our residents. However, these fund financial statements focus on the City's most significant funds. The City's major funds are the General, Capital Improvement, Reconstruction Improvement, Street Department, Water, Sewer, Airport, Garbage and Ambulance Funds.

Governmental Funds

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

The City's governmental activities are accounted for in 49 individual funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental funds' Statement of Revenues, Expenditures and Changes in Fund Balances for the General, Capital Improvement, and Reconstruction Improvement, which are considered to be the City's major governmental funds. Data from the other 46 governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

Proprietary Funds

When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds use the same basis of accounting as business-type activities; therefore, the proprietary fund statements will essentially match the business-type activities statements.

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

Fiduciary Funds

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

Notes to the basic financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

THE CITY OF BELLEFONTAINE AS A WHOLE

Recall that the Statement of Net Position provides the perspective of the City as a whole. Table 1 provides a summary of the City's net position for 2019 compared to 2018.

TABLE 1

				IAD						
			Ν	Net P	osition					
	Govern	ımen	ıtal		Busin	ess-ty	pe			
	 Acti	vites			Act	ivities		 Тс	otal	
	 Restated				Restated			Restated		
	 2018		2019		2018		2019	 2018		2019
Current and other assets	\$ 14,423,087	\$	15,701,731	\$	7,685,621	\$	8,446,312	\$ 22,108,708	\$	24,148,043
Capital assets	 27,043,718		27,240,398		35,367,620		35,308,556	 62,411,338		62,548,954
Total Assets	 41,466,805	_	42,942,129		43,053,241		43,754,868	 84,520,046		86,696,997
Deferred Outflows										
of Resources	 3,138,282		5,906,882		1,309,246		1,552,191	 4,447,528		7,459,073
Current liabilities	753,751		423,371		600,948		735,601	1,354,699		1,158,972
Long-term liabilities	2,025,848		1,958,937		3,526,542		3,194,472	5,552,390		5,153,409
Net pension liability	9,971,372		14,847,214		2,595,457		3,709,866	12,566,829		18,557,080
Net OPEB liability	8,658,123		3,195,775		1,930,194		1,464,840	10,588,317		4,660,615
Total Liabilities	 21,409,094		20,425,297		8,653,141		9,104,779	 30,062,235		29,530,076
Deferred Inflows										
of Resources	 2,219,180		1,407,188		624,783		231,558	 2,843,963		1,638,746
Net Position:										
Net Investment in										
capital assets	26,260,587		26,541,690		32,279,698		32,350,303	58,540,285		58,891,993
Restricted	3,690,667		4,209,382		-		-	3,690,667		4,209,382
Unrestricted	 (8,974,441)		(3,734,546)		2,804,865		3,620,419	 (6,169,576)		(114,127)
Total Net Position	\$ 20,976,813	\$	27,016,526	\$	35,084,563	\$	35,970,722	\$ 56,061,376	\$	62,987,248

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

The net pension liability (NPL) and net OPEB liability are the largest liabilities reported by the City at December 31, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." For fiscal year 2019, the City adopted GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB).

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

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

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

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

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability.

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

The net pension and net OPEB liabilities and related deferred outflows and inflows of resources all fluctuated significantly in comparison with the prior year. These fluctuations are the result of the greater than expected returns on pension plan investments and changes in benefit terms.

By far the largest portion of the City's net position reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, etc.) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

Table 2 shows the changes in net position for the year ended December 31, 2019 and 2018.

TABLE 2

Changes in Net Position

	8							
	Governmen	tal Activities	Business-typ	pe Activities	Τc	otal		
	2018	2019	2018	2019	2018	2019		
Program revenues:								
Charges for services	\$ 1,692,509	\$ 1,762,836	\$ 7,074,365	\$ 7,206,340	\$ 8,766,874	\$ 8,969,176		
Grants and contributions	1,147,357	1,726,941	21,322	70,616	1,168,679	1,797,557		
General revenues:								
Property taxes	600,512	644,569	-	-	600,512	644,569		
Income taxes	6,597,978	7,045,391	-	-	6,597,978	7,045,391		
Other local taxes	59,724	65,926	-	-	59,724	65,926		
Unrestricted grants	219,838	288,136	-	-	219,838	288,136		
Investment earnings	44,649	884,914	-	-	44,649	884,914		
Other	550,211	457,215	176,807	171,672	727,018	628,887		
Total revenues	10,912,778	12,875,928	7,272,494	7,448,628	18,185,272	20,324,556		
Expenses:								
General government	2,572,391	2,771,469	-	-	2,572,391	2,771,469		
Public safety	6,247,168	906,609	-	-	6,247,168	906,609		
Public works	181,830	245,559	-	-	181,830	245,559		
Health	164,159	166,821	-	-	164,159	166,821		
Conservation and recreation	780,500	844,240	-	-	780,500	844,240		
Economic development	91,673	117,142	-	-	91,673	117,142		
Transportation	1,595,335	1,397,371	-	-	1,595,335	1,397,371		
Interest on long-term debt	12,283	12,439	-	-	12,283	12,439		
Water	-	-	2,295,136	2,481,602	2,295,136	2,481,602		
Sewer	-	-	2,490,391	2,813,056	2,490,391	2,813,056		
Airport	-	-	422,337	525,043	422,337	525,043		
Garbage	-	-	978,359	1,178,530	978,359	1,178,530		
Ambulance	-	-	841,338	174,957	841,338	174,957		
Other	-	-	7,992	20,896	7,992	20,896		
Total expenses	11,645,339	6,461,650	7,035,553	7,194,084	18,680,892	13,655,734		
Increase/Decrease in net position								
before transfers	(732,561)	6,414,278	236,941	254,544	(495,620)	6,668,822		
Transfers	(179,391)	(374,565)	179,391	374,565	-	-		
Gain (Loss) on Sale of Capital Asset	-	-	(171,466)	(2,477)	(171,466)	(2,477)		
Change in net position	\$ (911,952)	\$ 6,039,713	\$ 244,866	\$ 626,632	\$ (667,086)	\$ 6,666,345		
Net position, beginning, restated	21,888,765	20,976,813	35,099,224	35,344,090	56,987,989	56,320,903		
Net position, ending	\$20.976.813	\$27.016.526	\$35,344.090	\$35,970,722	\$56,320,903	\$62,987,248		
rice position, ending	<i>\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\</i>	<i>\$21,010,320</i>	φ <i>55</i> ,5 ττ,070	ψ <i>33,710,122</i>	\$50,520,703	\$02,707,2 1 0		

In the governmental activities, grants and contributions increased significantly in comparison with the prior year. This increase is primarily the result of a federal grant received by the fire department and donated playground equipment. In addition, total expenses decreased significantly in comparison with the prior year. This decrease is primarily the result of a decrease in pension and other postemployment (OPEB) expenses, as reported by the pension and OPEB plans.

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

Total versus Net Cost of Services

The Statement of Activities shows the cost of program services and the charges for services and grants associated with those services. Table 3 below reflects the cost of program services and the net cost of those services after taking into account the program revenues. When applicable, the net cost of program services must be supported by general revenues including tax revenue, investment earnings and unrestricted grants.

	Total Cost	of Ser	vices	Net Cost of Services				
Functions/Programs	2018		2019		2018	2019		
Governmental Activities:								
General government	\$ (2,572,391)	\$	(2,771,469)	\$	(1,371,752)	\$	(1,535,884)	
Public safety	(6,247,168)		(906,609)		(5,750,805)		(246,396)	
Public works	(181,830)		(245,559)		(181,830)		(245,559)	
Health	(164,159)		(166,821)		(107,263)		(103,887)	
Conservation and recreation	(780,500)		(844,240)		(617,643)		(400,286)	
Economic development	(91,673)		(117,142)		(91,673)		(117,142)	
Transportation	(1,595,335)		(1,397,371)		(672,224)		(310,280)	
Interest on long-term debt	(12,283)		(12,439)		(12,283)		(12,439)	
Total Governmental Activities	 (11,645,339)		(6,461,650)		(8,805,473)		(2,971,873)	
Business-Type Activities:								
Water	(2,295,136)		(2,481,602)		50,577		(121,365)	
Sewer	(2,490,391)		(2,813,056)		425,386		182,810	
Airport	(422,337)		(525,043)		(218,301)		(243,350)	
Garbage	(978,359)		(1,178,530)		58,073		(136,068)	
Ambulance	(841,338)		(174,957)		(263,598)		408,483	
Other	(7,992)		(20,896)		7,997		(7,638)	
Total Business-Type Activities	 (7,035,553)		(7,194,084)		60,134		82,872	
Grand Total	\$ (18,680,892)	\$	(13,655,734)	\$	(8,745,339)	\$	(2,889,001)	

In the governmental activities, the City's reliance upon general tax revenues is demonstrated by the net cost of services column above reflecting the need for approximately \$2.9 million of support.

TABLE 3

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

THE CITY'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. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12.0 million, a \$1.5 million increase from the previous year.

The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2019 and 2018.

	Restated Fund Balance 12/31/2018			ind Balance 12/31/19	Increase (Decrease)		
General	\$	4,499,485	\$	5,216,146	\$	716,661	
Capital improvements		2,765,553		2,928,821		163,268	
Reconstruction Improvement		294,181		88,278		(205,903)	
Other Governmental		2,979,000		3,810,720		831,720	
Total	\$	10,538,219	\$	12,043,965	\$	1,505,746	

General Fund

The General Fund is the chief operating fund of the City. At the end of the current year, unassigned fund balance of the general fund was \$4.8 million, or 53 percent of total general fund expenditures. The fund balance of the City's general fund increased \$716,661 during the current year. This represents the amount in which revenues and other financing sources exceeded expenditures and operating transfers.

Capital Improvement Fund

The Capital Improvement Fund accounts for the accumulation of financial resources to be used for the acquisition or construction of major capital facilities. The capital improvement fund's fund balance increased \$163,268 during the fiscal year. This increase represents the amount in which interest revenues and proceeds received from Mary Rutan Hospital for the land purchased in 2017 exceeded expenditures related to long-term liabilities.

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

Reconstruction Improvement Fund

The Reconstruction Improvement Fund accounts for the accumulation of financial resources to be used for the reconstruction and improvement of major capital facilities. The reconstruction improvement fund's fund balance decreased \$205,903 during the year. For the most part, this decrease represents the amount in which capital outlays exceeded intergovernmental revenues.

Other Governmental Funds

The fund balance of the City's Other Governmental Funds increased \$831,720 in comparison with the prior year. This increase represents the amount in which program revenues, proceeds from the sale of capital assets, and transfers from the General Fund exceeded program expenditures exceeded during the year.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Total net position in the Water Fund was \$10.1 million at year-end, an increase of \$5,339 in comparison with the prior year. This increase primarily consists of operating income of \$34,409 during the year, offset by interest and fiscal charges and a loss from the sale of capital assets.

Total net position in the Sewer Fund was \$15.7 million at year-end, an increase of \$165,723 in comparison with the prior year. This increase primarily consists of operating income of \$180,388 during the year, offset by interest and fiscal charges.

Total net position in the Airport Fund was \$8.2 million at year-end, an increase of \$152,403 in comparison with the prior year. This increase primarily consists of an operating loss of \$249,807 during the year, offset by transfers in from the General Fund totaling \$393,510.

Total net position in the Garbage Fund was \$1.2 million at year-end, a decrease of \$106,429 in comparison with the prior year. This increase consists of an operating loss of \$106,429 during the year.

Total net position in the Ambulance Fund was \$420,990 at year-end, an increase of \$415,958 in comparison with the prior year. This increase primarily consists of operating income of \$417,635.

Total net position in the Nonmajor Enterprise Funds at the end of the year amounted to \$301,688, a decrease of \$6,362 in comparison with the prior year. This decrease represents an operating loss of \$7,362 offset by a transfer in from the General Fund of \$1,000.

MANAGEMENT'S DISCUSSION & ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2019 (UNAUDITED)

General Fund Budgetary Information

The City's budget is prepared in accordance with Ohio law and is based on the budgetary basis of accounting, utilizing cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund.

The final amended revenue estimate exceeded the original revenue estimate by \$200,000 as a result of a federal grant received by the fire department during the year. The City's actual revenues and other financing sources exceeded the final amended revenue estimate by \$789,584, primarily as a result of income taxes and refunds and reimbursements exceeding expectations.

Final appropriations exceeded the original appropriations primarily as a result of an increase in transfers out during the year. The variance between the final amended appropriations and actual budgetary expenditures and other financing uses was insignificant.

Capital Assets

The City's investment in capital assets for governmental activities as of December 31, 2019 totaled \$27.2 million (net of accumulated depreciation), an increase of \$771,446 in comparison with the prior year. This increase represents the amount in which current year acquisitions (\$1.2 million) and net transfers in (\$19,945) exceeded current year depreciation (\$1.0 million) and current year disposals (\$21,753).

The City's investment in capital assets for business-type activities as of December 31, 2019 totals \$35.3 million (net of accumulated depreciation), a decrease of \$59,064 in comparison with the prior year. This decrease represents the amount in which current year depreciation (\$1.6 million), disposals (\$2,477) and net transfers out (\$19,945) exceeded current year acquisitions (\$1.6 million).

Detailed information regarding capital asset activity is included in the Note 8 to the basic financial statements.

Debt

At the end of the current year, the City had total debt outstanding of \$3.4 million. Of this amount, \$2.8 million represents bonds backed by the full faith and credit of the City and the remaining \$611,218 represents interest free loans.

Detailed information regarding long-term debt is included in Note 9 to the basic financial statements.

Contacting the City Auditor's Department

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it administers. If you have any questions about this report or need additional financial information, contact Fred Brentlinger, City Auditor, 135 North Detroit Street, Bellefontaine, Ohio 43311-1474.

STATEMENT OF NET POSITION AS OF DECEMBER 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets		• • • • • • • • •	* 10 1 10 105
Pooled cash and cash equivalents	\$ 11,672,487	\$ 6,469,650	\$ 18,142,137
Investments	85,900	-	85,900
Receivables:			
Taxes	2,531,055	-	2,531,055
Accounts	28,945	1,724,263	1,753,208
Intergovernmental	597,882	70,616	668,498
Interest	40,323	-	40,323
Note	400,000	-	400,000
Materials and supplies inventory	148,555	167,677	316,232
Prepaid items	165,614	14,106	179,720
Nondepreciable capital assets	7,948,000	2,569,328	10,517,328
Depreciable capital assets, net	19,292,398	32,739,228	52,031,626
Net pension asset	30,970	-	30,970
Total assets	42,942,129	43,754,868	86,696,997
Deferred Outflows of Resources			
Pension	4,606,882	1,263,564	5,870,446
OPEB	1,300,000	288,627	1,588,627
Total deferred outflows of resources	5,906,882	1,552,191	7,459,073
Liabilities			
Accounts payable	164,480	425,035	589,515
Accrued wages and benefits	149,756	47,908	197,664
Intergovernmental payable	108,233	28,823	137,056
Interest payable	902	6,556	7,458
Retainage payable	-	27,631	27,631
Refundable deposits	-	199,648	199,648
Long-term liabilities			
Due within one year	555,789	497,499	1,053,288
Due in more than one year	1,403,148	2,696,973	4,100,121
Net pension liability	14,847,214	3,709,866	18,557,080
Net OPEB liability	3,195,775	1,464,840	4,660,615
Total liabilities	20,425,297	9,104,779	29,530,076
Deferred Inflows of Resources:			
Property and other local taxes	634,212	-	634,212
Pension	327,697	130,506	458,203
OPEB	445,279	101,052	546,331
Total deferred inflows of resources	1,407,188	231,558	1,638,746
Net Position			
Net investment in capital assets Restricted for:	26,541,690	32,350,303	58,891,993
Capital projects	457,378	_	457,378
Street maintenance and repair	1,128,498	-	1,128,498
		-	
Public safety Conservation and recreation	233,396 4,704	-	233,396 4,704
		-	608,407
Economic development	608,407 489 724	-	
Health	489,724	-	489,724
Judicial Unrestricted	1,287,275	-	1,287,275
Unrestricted	(3,734,546)	3,620,419	(114,127)
Total net position	\$ 27,016,526	\$ 35,970,722	\$ 62,987,248

See accompanying notes to the basic financial statements.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

			Program Revenues						
				Charges for	Ope	rating Grants	Capital Grants		
Functions/Programs	Expenses		Services		and	Contributions	and C	Contributions	
Governmental Activities:									
General government	\$	2,771,469	\$	1,066,592	\$	168,993	\$	-	
Public safety		906,609		441,142		39,080		179,991	
Public works		245,559		-		-		-	
Health		166,821		62,074		860		-	
Conservation and recreation		844,240		181,505		27,531		234,918	
Economic development		117,142		-		-		-	
Transportation		1,397,371		11,523		784,081		291,487	
Interest on long-term debt		12,439		-		-		-	
Total governmental activities		6,461,650	_	1,762,836		1,020,545		706,396	
Business-type Activities:									
Water		2,481,602		2,360,237		-		-	
Sewer		2,813,056		2,950,478		-		45,388	
Airport		525,043		256,465		-		25,228	
Garbage		1,178,530		1,042,462		-		-	
Ambulance		174,957		583,440		-		-	
Other		20,896		13,258		-		-	
Total business-type activities		7,194,084		7,206,340		-		70,616	
Total government	\$	13,655,734	\$	8,969,176	\$	1,020,545	\$	777,012	

General Revenues:

Property taxes

Income taxes

Other local taxes

Unrestricted grants and entitlements

- Unrestricted investment earnings
- Other unrestricted revenues

Loss on disposal of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position at beginning of year, restated Net position at end of year

Net (Expense) Revenue and										
Changes in Net Position Governmental Business-type										
Activities	Activities	Total								
Activities	Activities	Total								
\$ (1,535,884)	\$ -	\$ (1,535,884)								
(246,396)	-	(246,396)								
(245,559)	-	(245,559)								
(103,887)	-	(103,887)								
(400,286)	-	(400,286)								
(117,142)	-	(117,142)								
(310,280)	-	(310,280)								
(12,439)	-	(12,439)								
(2,971,873)	-	(2,971,873)								
		i								
-	(121,365)	(121,365)								
-	182,810	182,810								
-	(243,350)	(243,350)								
-	(136,068)	(136,068)								
-	408,483	408,483								
	(7,638)	(7,638)								
-	82,872	82,872								
(2,971,873)	82,872	(2,889,001)								
644,569	-	644,569								
7,045,391	-	7,045,391								
65,926	-	65,926								
288,136	-	288,136								
884,914	-	884,914								
457,215	171,672	628,887								
-	(2,477)	(2,477)								
(374,565)	374,565	-								
9,011,586	543,760	9,555,346								
6,039,713	626,632	6,666,345								
20,976,813	35,344,090	56,320,903								
\$ 27,016,526	\$ 35,970,722	\$ 62,987,248								

Net (Expense) Revenue and
Changes in Net Position

BALANCE SHEET GOVERNMENTAL FUNDS AS OF DECEMBER 31, 2019

		General Fund	In	Capital provement Fund		construction provement Fund	Go	Other overnmental Funds	G	Total overnmental Funds
Assets:										
Pooled cash and cash equivalents Investments	\$	4,418,063	\$	2,876,431	\$	88,236	\$	3,528,214 85,900	\$	10,910,944 85,900
Receivables:		0 007 700						102 225		0.501.055
Taxes		2,337,720		-		-		193,335		2,531,055
Accounts		17,221		-		-		11,724		28,945
Intergovernmental		200,273		-		-		397,609		597,882
Interest Note		37,390		1,396		42		1,495 200,000		40,323
Prepaid items		12,369		200,000		-		1,813		400,000 14,182
Materials and supplies inventory		12,509		-		-		148,555		14,182
Advances to other funds		-		-		-		140,555		
Total assets	¢	7,023,036	¢	56,000 3,133,827	¢	88,278	¢	4,568,645	¢	56,000
1 otal assets	\$	7,023,030	\$	5,155,627	\$	00,270	\$	4,308,043	\$	14,813,786
Liabilities:										
Accounts payable	\$	113,147	\$	5,006	\$	-	\$	45,525	\$	163,678
Accrued wages and benefits	Ψ	140,118	Ψ	-	Ψ	_	Ψ	9,638	Ψ	149,756
Intergovernmental payable		103,105		-		-		5,128		108,233
Advances from other funds		-		-		-		56,000		56,000
Total liabilities		356,370		5,006		-		116,291		477,667
				- ,						
Deferred Inflows of Resources:										
Unavailable revenue		998,461		200,000		-		459,481		1,657,942
Property and other local taxes		452,059		-		-		182,153		634,212
Total deferred inflows of resources		1,450,520		200,000		-		641,634		2,292,154
Fund Balances: Nonspendable:										
Materials and supplies inventory		-		-		-		148,555		148,555
Prepaid items		12,369		-		-		1,813		14,182
Advances		-		56,000		-		-		56,000
Restricted for:						00.070		0.50 1.61		246.420
Capital projects		-		-		88,278		258,161		346,439
Street maintenance and repair		-		-		-		727,905		727,905
Public safety		-		-		-		227,885		227,885
Economic development Health		-		-		-		408,407 483,723		408,407
Judicial		-		-		-		1,389,023		483,723 1,389,023
Conservation and recreation		-		-		-		4,592		4,592
Other		11,559		-		-		-,572		11,559
Assigned for:		11,557								11,555
Future appropriations		37,090		-		-		-		37,090
Conservation and recreation		540		-		-		4,384		4,924
Capital projects		34,793		2,872,821		-		156,272		3,063,886
General government		43,330		-		-		-		43,330
Judicial		1,532		-		-		-		1,532
Public safety		224,821		-		-		-		224,821
Public works		5,835		-		-		-		5,835
Transportation		63,303		-		-		-		63,303
Unassigned		4,780,974		-		-		-		4,780,974
Total fund balances		5,216,146		2,928,821		88,278		3,810,720		12,043,965
Total liabilities, deferred inflows,										
and fund balances	\$	7,023,036	\$	3,133,827	\$	88,278	\$	4,568,645	\$	14,813,786

See accompanying notes to the basic financial statements.

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES DECEMBER 31, 2019

Total Governmental Fund Balances	\$ 12,043,965
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	27,240,398
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
Delinquent property taxes receivable	32,579
Income taxes receivable	811,818
Accounts receivable	5,975
Intergovernmental receivable	394,093
Interest receivable	13,477
Note receivable	400,000
Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of net position.	
Unamortized premium on bonds	(1,850)
Internal service funds are used by management to charge the costs of health care to individual funds. The assets and liabilities of the internal service funds are	
included in governmental activities in the statement of net position.	912,173
The net pension asset, net pension liability and net OPEB liability are not due and payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds:	
Net pension asset	30,970
Deferred outflows - pension	4,606,882
Deferred inflows - pension	(327,697)
Net pension liability	(14,847,214)
Deferred outflows - OPEB	1,300,000
Deferred inflows - OPEB	(445,279)
Net OPEB liability	(3,195,775)
Long-Term liabilities, including bonds and loans payable, are not due and payable in the current period and therefore are not reported in the funds:	
Compensated absences payable	(1,251,196)
General obligation debt	(684,976)
Capital lease payable	(20,915)
Accrued interest payable	 (902)
Net Position of Governmental Activities	\$ 27,016,526

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	General Fund	Capital Improvement Fund	Reconstruction Improvement Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes \$	470,963	\$ -	\$ -	\$ 174,047	\$ 645,010
Income taxes	6,870,991	-	-	-	6,870,991
Other local taxes	30,000	-	-	35,926	65,926
Charges for services	575,176	-	-	37,713	612,889
Licenses, permits and fees	114,101	-	-	149,315	263,416
Fines and forfeitures	755,914	-	-	174,117	930,031
Intergovernmental	471,211	-	291,487	905,563	1,668,261
Interest	711,205	124,715	17,577	41,968	895,465
Rent	-	-	-	26,735	26,735
Donations and contributions	22,531	-	-	38,535	61,066
Refunds and reimbursements	306,817	-	-	11,523	318,340
Other	62,063			2,333	64,396
Total revenues	10,390,972	124,715	309,064	1,597,775	12,422,526
Expenditures:					
General government:					
Legislative and executive	1,345,745	-	-	-	1,345,745
Judicial	674,050	5,006	-	313,655	992,711
Public safety	5,195,449	-	-	57,878	5,253,327
Public works	36,984	-	-	-	36,984
Health	117,367	-	-	40,768	158,135
Conservation and recreation	616,645	-	-	31,329	647,974
Economic development	67,168	17,745	-	32,229	117,142
Transportation	330,392	-	-	419,024	749,416
Capital outlay	605,579	-	514,967	214,849	1,335,395
Debt service:					
Principal retirement	35,284	38,696	-	28,313	102,293
Interest and fiscal charges	11,882	-	-	1,063	12,945
Total expenditures	9,036,545	61,447	514,967	1,139,108	10,752,067
Excess (Deficiency) of revenues					
over (under) expenditures	1,354,427	63,268	(205,903)	458,667	1,670,459
Other financing sources (uses):					
Inception of Capital Lease	-	-	-	25,053	25,053
Proceeds from sale of capital assets	4,744	100,000	-	100,000	204,744
Transfers in	-	-	-	248,000	248,000
Transfers out	(642,510)	-	-	-	(642,510)
Total other financing sources (uses)	(637,766)	100,000	-	373,053	(164,713)
Net change in fund balances	716,661	163,268	(205,903)	831,720	1,505,746
Fund balance at beginning of year, restated	4,499,485	2,765,553	294,181	2,979,000	10,538,219
Fund balance at end of year \$	5,216,146	\$ 2,928,821	\$ 88,278	\$ 3,810,720	\$ 12,043,965

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 1,505,746
Amounts reported for governmental activities in the statement of activites are different because:	
Governmental funds report capital outlays as expenditures, however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlays Depreciation	1,246,633 (1,048,145)
The effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and disposals) is to decrease net position.	(1,808)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Delinquent property taxes Income taxes Charges for services Intergovernmental revenues Interest revenues Sale of land to Mary Rutan	(441) 174,400 (500) 117,329 (10,551) (200,000)
Repayment of bond, loan, and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities of net position and does not result in an expense in the statement of activities.	102,293
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. Pension OPEB	1,002,411 16,272
Except for amounts reported as deferred inflows/outflows, changes in the net pension and net OPEB liability are reported as pension expense in the statement of activities. Pension OPEB	(2,425,854) 5,580,238
Governmental funds report the effect of debt proceeds, bond issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Inception of capital lease	(25,053)
Amortization of premium on bonds Internal service funds are used by management to charge the costs of health care to	418
individual funds. The net revenue (expense) of activities of the internal service fund is reported with governmental activities.	16,984
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds. Compensated absences Accrued interest	(10,747)
Change in Net Position of Governmental Activities	\$ 6,039,713

See accompanying notes to the basic financial statements.

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STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET (NON-GAAP BASIS) AND ACTUAL GENERAL FUND FOR THE YEAR ENDED DECEMBER 31, 2019

		Original		Final		A stual		ariance
Revenues		Budget		Budget		Actual	(0)	ver)/Under
Property taxes	\$	452,100	\$	452,100	\$	470,349	\$	18,249
Income taxes	Ψ	6,421,000	Ψ	6,421,000	Ψ	6,777,489	Ψ	356,489
Other local taxes		30,000		30,000		30,000		-
Charges for services		412,000		412,000		450,916		38,916
Licenses, permits and fees		105,150		105,150		114,101		8,951
Fines and forfeitures		740,000		740,000		755,914		15,914
Intergovernmental		239,850		439,850		451,500		11,650
Interest		130,000		130,000		180,896		50,896
Refunds and reimbursements		470,000		470,000		781,505		311,505
Other		75,900		75,900		58,170		(17,730)
Total revenues		9,076,000		9,276,000		10,070,840		794,840
Expenditures								
General government:								
Legislative and executive		1,683,379		1,683,379		1,599,439		83,940
Judicial		742,636		742,636		692,918		49,718
Public safety		5,075,406		5,421,067		5,362,092		58,975
Public works		280,120		280,120		279,618		502
Health		117,367		117,367		117,367		-
Economic development		56,700		68,700		67,168		1,532
Transportation		431,890		431,890		418,593		13,297
Capital outlay		559,738		721,973		735,537		(13,564)
Debt service:								
Principal retirement		35,284		35,284		35,284		-
Interest and fiscal charges		11,882		11,882		11,882		-
Total expenditures		8,994,402		9,514,298		9,319,898		194,400
Excess of Revenues Over/								
(Under) Expenditures		81,598		(238,298)		750,942		989,240
Other Financing Sources/(Uses)								
Proceeds from sale of capital assets		-		-		4,744		4,744
Transfers in		10,000		10,000		-		(10,000)
Transfers out		(855,500)		(1,139,010)		(1,187,785)		(48,775)
Total other financing sources/(uses)		(845,500)		(1,129,010)		(1,183,041)		(54,031)
Net change in fund balance		(763,902)		(1,367,308)		(432,099)		935,209
Fund balances at beginning of year		3,264,610		3,264,610		3,264,610		-
Prior year encumbrances appropriated		538,861		538,861		538,861		-
Fund balances at end of year	\$	3,039,569	\$	2,436,163	\$	3,371,372	\$	935,209

See accompanying notes to the basic financial statements.

STATEMENT OF NET POSITION PROPRIETARY FUNDS AS OF DECEMBER 31, 2019

	E	Business-type Activit	ies - Enterprise Fund	ls
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund
Assets				
Current assets: Pooled cash and cash equivalents Receivables:	\$ 1,861,071	\$ 2,683,532	\$ 404,146	\$ 962,182
Accounts Intergovernmental	483,257	609,208 45,388	- 25,228	120,930
Prepaid items	8,563	140	2,681	-
Materials and supplies inventory	142,654	25,023	-	-
Total current assets	2,495,545	3,363,291	432,055	1,083,112
Noncurrent assets:				
Nondepreciable capital assets	884,875	625,736	766,283	75,814
Depreciable capital assets, net	9,240,083	15,048,687	7,621,539	338,853
Total noncurrent assets	10,124,958	15,674,423	8,387,822	414,667
Total assets	12,620,503	19,037,714	8,819,877	1,497,779
Deferred Outflows of Resources				
Pension	430,800	475,360	-	56,597
OPEB	84,366	87,522	-	7,563
Total deferred outflows of resources	515,166	562,882	-	64,160
Liabilities				
Current liabilities:				
Accounts payable	114,027	238,495	10,308	57,106
Accrued wages and benefits	17,170	20,619		2,759
Intergovernmental payable	9,686	11,580	-	1,485
Interest payable	2,242	3,002	1,312	-
Retainage payable	7,156	20,475	-	-
Refundable deposits	-	-	-	-
Notes payable	712	22,920	-	-
Bonds payable	89,494	119,825	135,344	-
Compensated absences	48,931	49,698	-	3,550
Total current liabilities	289,418	486,614	146,964	64,900
Noncurrent liabilities:				
Notes payable	3,204	222,720	-	-
Bonds payable	718,758	962,356	464,563	-
Compensated absences	172,098	114,100	-	326
Net pension liability	1,242,045	1,405,277	-	181,856
Net OPEB liability Total noncurrent liabilities	584,477	661,400	-	85,527
Total liabilities	2,720,582 3,010,000	3,365,853 3,852,467	464,563 611,527	267,709 332,609
		,,,,,,, _		
Deferred Inflows of Resources	16761	24 7 4 2		0.70(
Pension OPEB	16,761	24,742	-	9,706 4,601
Total deferred inflows of resources	<u>1,586</u> 18,347	6,038 30,780		4,601 14,307
		, •		
Net Position				
Net investment in capital assets	9,224,100	14,216,694	7,788,156	414,667
Unrestricted	883,222	1,500,655	420,194	800,356
Total net position	\$ 10,107,322	\$ 15,717,349	\$ 8,208,350	\$ 1,215,023

See accompanying notes to the basic financial statements.

Ambulance Fund		Nonmajor Enterprise Funds			Total Enterprise Funds	Governmental Activities - Internal Service Fund			
\$	322,172	\$	236,547	\$	6,469,650	\$	761,543		
	510,868		-		1,724,263		-		
	-		-		70,616		-		
	2,722		-		14,106		151,432		
	835,762		236,547		<u>167,677</u> 8,446,312		912,975		
	055,702		230,347		0,440,512		12,775		
	_		216,620		2,569,328		_		
	431,927		58,139		32,739,228		-		
	431,927		274,759		35,308,556		-		
	1,267,689		511,306		43,754,868		912,975		
	297,173		3,634		1,263,564				
	108,345		831		288,627		-		
	405,518		4,465		1,552,191		-		
	4,396		703		425,035		802		
	7,195		165		47,908		-		
	5,976		96		28,823		-		
	-		-		6,556 27,631		-		
	-		- 199,648		199,648		-		
	-		-		23,632		-		
	-		-		344,663		-		
	27,025		-		129,204		-		
	44,592		200,612	·	1,233,100		802		
	_		-		225,924		_		
	-		-		2,145,677	-			
	38,848		-		325,372		-		
	871,650		9,038		3,709,866		-		
	129,264		4,172		1,464,840		-		
	1,039,762		13,210		7,871,679		-		
	1,084,354		213,822		9,104,779		802		
	79,047		250		130,506		_		
	88,816		230		101,052		-		
	167,863		261		231,558		-		
	431,927		274,759		32,350,303		-		
¢	(10,937)	<u>_</u>	26,929	•	3,620,419	¢	912,173		
\$	420,990	\$	301,688	\$	35,970,722	\$	912,173		

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds						
	Water Fund	Sewer Fund	Airport Fund	Garbage Fund			
Operating Revenues							
Charges for services	\$ 2,359,590	\$ 2,934,350	\$ 131,918	\$ 1,042,462			
Refunds and reimbursements	647	16,128	-	-			
Rental income	-	-	124,547	-			
Other operating revenue	127,504	5,101	-	29,639			
Total operating revenues	2,487,741	2,955,579	256,465	1,072,101			
Operating Expenses							
Personal services	1,287,244	1,597,167	-	342,654			
Contractual services	232,148	243,431	117,360	725,726			
Materials and supplies	432,838	111,402	125,832	48,296			
Depreciation	470,605	771,341	246,521	40,331			
Other operating expenses	30,497	51,850	16,559	21,523			
Total operating expenses	2,453,332	2,775,191	506,272	1,178,530			
Operating income (loss)	34,409	180,388	(249,807)	(106,429)			
Nonoperating Revenues (Expenses)							
Grants income	-	45,388	25,228	-			
Interest and fiscal charges	(28,270)) (37,865)	(18,771)	-			
Loss on sale of capital assets	(800)) –	-	-			
Other nonoperating revenue	-	-	2,243	-			
Other nonoperating expense	-	(22,188)	-	-			
Transfers in	-	-	393,510	-			
Total non-operating revenues (expenses)	(29,070)	(14,665)	402,210	-			
Change in net position	5,339	165,723	152,403	(106,429)			
Net position at beginning of year, restated	10,101,983	15,551,626	8,055,947	1,321,452			
Net position at end of year	\$ 10,107,322	\$ 15,717,349	\$ 8,208,350	\$ 1,215,023			

A	Ambulance Fund		1			Governmental Activities - Internal Service Funds			
\$	583,440	\$	13,170	\$	7,064,930	\$	1,238,632		
*	-	*	-	*	16,775	*	128,189		
	-		88		124,635		-		
	9,152		276		171,672		-		
	592,592		13,534		7,378,012		1,366,821		
			<u> </u>						
	28,606		7,917		3,263,588		-		
	27,031		_		1,345,696		1,349,837		
	50,312		-		768,680		-		
	47,975		11,581		1,588,354		-		
	21,033		1,398		142,860		-		
	174,957		20,896		7,109,178		1,349,837		
	417,635		(7,362)		268,834		16,984		
	-		-		70,616		-		
	-		-		(84,906)		-		
	(1,677)		-		(2,477)		-		
	-		-		2,243		-		
	-		-		(22,188)		-		
	-		1,000		394,510		-		
	(1,677)		1,000		357,798		-		
	415,958		(6,362)		626,632		16,984		
	5,032		308,050		35,344,090		895,189		
\$	420,990	\$	301,688	\$	35,970,722	\$	912,173		

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-type Activities - Enterprise Funds							
		Water Fund		Sewer Fund		Airport Fund		Garbage Fund
Cash Flows from Operating Activities Cash received from customers Other operating receipts Cash paid to employees Cash paid to suppliers Cash paid for other expenses Net cash flows from operating activities	\$	2,358,588 128,151 (1,027,634) (704,036) (37,580) 717,489	\$	2,934,840 21,229 (1,243,836) (301,997) (50,953) 1,359,283	\$	256,465 (241,850) (15,948) (1,333)	\$	1,039,438 29,639 (307,259) (782,476) (50,718) (71,376)
Cash Flows from Noncapital Financing Activities Transfers in Net cash flows from noncapital financing activities		-		-		393,510 393,510		-
Cash Flows from Capital and Related Financing Activities Purchase of capital assets Payment of debt Payment of interest Net cash flows from capital and related financing activites		(380,512) (88,416) (29,529) (498,457)		(827,679) (140,349) (39,551) (1,007,579)		(20,978) (130,251) (19,105) (170,334)		(98,577)
Net change in cash Cash and cash equivalents at beginning of year Cash and cash equivalents at end of year	\$	219,032 <u>1,642,039</u> <u>1,861,071</u>	\$	351,704 2,331,828 2,683,532	\$	221,843 182,303 404,146	\$	(169,953) 1,132,135 962,182
Reconciliation of operating income (loss) to net cash flows from operating activities:								
Operating income (loss)	\$	34,409	\$	180,388	\$	(249,807)	\$	(106,429)
Add depreciation expense		470,605		771,341		246,521		40,331
(Increase)/Decrease in current assets and deferred outflows Accounts receivable Prepaid expenses Materials and supplies inventory Deferred outflows of resources - pension Deferred outflows of resources - OPEB Increase/(Decrease) in current liabilities and deferred inflows		(1,002) 700 (5,980) (236,265) (39,042)		490 (140) 7,913 (268,498) (47,860)		- 76 - - -		(3,024) - (24,997) (201)
Accounts payable Accrued wages Compensated absences Intergovernmental payable Refundable deposits Retainage payable		(62,148) 1,058 (10,391) 369 - (4,855)		54,258 3,586 32,761 1,222 - (8,298)		1,877 - - - - - -		(35,409) 830 2,309 287 - (2,240)
Net pension liability Net OPEB liability Deferred inflows of resources - pension Deferred Inflows of resources - OPEB Net cash flows from operating activities	\$	596,481 145,003 (140,301) (31,152) 717,489	\$	670,762 161,439 (160,743) (39,338) 1,359,283	\$	(1,333)	\$	67,647 7,775 (17,064) (1,191) (71,376)
Non cash investing, capital, and financing activities: Capital Asset Disposals	\$	800	\$		\$	-	\$	

A	mbulance Fund		lonmajor nterprise Funds	-	Total Enterprise Funds	A	overnmental Activities - ernal Service Funds
\$	581,808	\$	27,788	\$	7,198,927	\$	1,633,166
Ψ	9,152	Ψ	27,788	Ψ	188,447	Ψ	-
	(393,831)		(6,805)		(2,979,365)		-
	(81,853)		(0,005)		(2,112,212)		(1,432,341)
	(27,473)		(19,127)		(201,799)		(1,+52,5+1)
	87,803		2,132		2,093,998		200,825
	07,005		2,152		2,075,778		200,825
	-		1,000		394,510		-
	-		1,000		394,510		-
			1,000		09 1,010		
	(26,085)		-		(1,353,831)		-
	-		-		(359,016)		-
	-		-		(88,185)		-
	(26,085)		-		(1,801,032)		-
	61,718		3,132		687,476		200,825
	260,454		233,415		5,782,174		560,718
\$	322,172	\$	236,547	\$	6,469,650	\$	761,543
\$	417,635 47,975	\$	(7,362) 11,581	\$	268,834 1,588,354	\$	16,984 -
	(1,632)		_		(5,168)		266,345
	(1,052)		_		636		(82,090)
	-		_		1,933		(02,090)
	(115,194)		(1,462)		(646,416)		-
	21,166		(1,102)		(65,990)		-
	21,100		(00)		(00,550)		
	(10,950)		(514)		(52,886)		(414)
	563		36		6,073		-
	4,753		-		29,432		-
	574		4		2,456		-
	-		(2,685)		(2,685)		-
	-		-		(15,393)		-
	146,209		4,332		1,485,431		-
	(527,899)		1,023		(212,659)		-
	25,831		(2,544)		(294,821)		-
	78,772		(224)		6,867		-
\$	87,803	\$	2,132	\$	2,093,998	\$	200,825
\$	1,677	\$	-	\$	2,477	\$	-
						-	

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS AS OF DECEMBER 31, 2019

	te-Purpose st Funds	C	Custodial Funds
Assets			
Pooled cash and cash equivalents	\$ 21,579	\$	18,145
Cash in segregated account	-		110,045
Investments	60,000		-
Receivables:			
Interest	379		-
Total assets	 81,958		128,190
Net Position			
Held in trust	81,958		16,570
Restricted for individuals and other governments	-		111,620
Total net position	\$ 81,958	\$	128,190

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUNDS FOR THE YEAR ENDED DECEMBER 31, 2019

	Private-Purpose Trust Funds		(Custodial Funds
Additions				
Fines and forfeitures for other governments	\$	-	\$	2,973,534
Fees for other organizations		-		45,465
Interest		1,913		-
Total additions		1,913		3,018,999
Deductions				
Fines and forfeitures distributions to other governments		-		2,966,049
Fees distributions to other organizations		-		43,890
Endowments		875		-
Total deductions		875		3,009,939
Change in fiduciary net position		1,038		9,060
Net position at beginning of year, restated	_	80,920		119,130
Net position at end of year	\$	81,958	\$	128,190

See accompanying notes to the basic financial statements.

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NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 1 - DESCRIPTION OF THE REPORTING ENTITY

The City of Bellefontaine (the "City") is a body politic and Corporate 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 was formed as a village in 1820 and incorporated in 1835. In 1900 it became a City and is presently a home rule municipal corporation under the laws of the State of Ohio.

The City operates under a council-mayor form of government and provides the following services: public safety; public services, recreation and development. Education services are provided by Bellefontaine City School District. The School District is a separate governmental entity and its financial statements are not included in these financial statements.

This report includes all activities considered by management to be part of the City by virtue of Section 2100 of the Codification of Governmental Accounting and Financial Reporting Standards.

Section 2100 indicates that the reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for legally separate organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support, the organization; or (c) is obligated in some manner for the debt of the entity. The financial statements of the reporting entity allow the users to distinguish between the primary government and its component units. The City has no component units.

Most component units are included in the financial reporting entity by discrete presentation (one or more columns separate from the financial data of the primary government). Some component units are so intertwined with the primary government that they are reported in a manner similar to the balances and transactions of the primary government itself (this method is known as blending).

The City included on its financial statements the operations and balances of the Municipal Court and the Park Commission. The City has not included the Bellefontaine City School District, which elects its own officials, and has no control over its operations.

Management believes the financial statements included in this report represent all of the funds of the City over which the City has the ability to exercise direct operating control.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Government-wide and fund financial statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

B. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough after to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and income taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The government reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *capital improvement fund* is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary or trust funds).

The *reconstruction improvement fund* is used to account for financial resources to be used for the rightof-way acquisition and subsequent resurfacing of a major highway.

The government reports the following major proprietary funds:

The *water fund* accounts for the activities of the water department. The water department operates the water distribution system.

The *sewer fund* accounts for the activities of the sewer department. The sewer department operates the sewage treatment plant, sewage pumping stations and sewage collection systems.

The *airport fund* accounts for the activities of the City's airport.

The garbage fund accounts for the City's garbage removal activities.

The ambulance fund accounts for the City's ambulance activities.

Additionally, the government reports the following fund types:

The *internal service fund* is used to account for insurance services provided to other departments of the government on a cost reimbursement basis.

The *private-purpose trust funds* are used to account for resources legally held in trust.

The *custodial funds* are used to report fiduciary activities that are not required to be reported in a trust fund. The City's custodial funds account for amounts collected and distributed on behalf of another government or organization

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Deposits and Investments

To improve cash management, cash received by the City is pooled, except as specifically stipulated by ordinance. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through City records. Each fund's interest in the pool is presented as "Pooled cash and cash equivalents" on the balance sheet and statement of net position.

During 2019, the City's investments consisted of negotiable certificates of deposit and a money market fund. Investments are reported at fair value, which is based on quoted market prices.

For presentation purposes on the Statement of Cash Flows and Statement of Net Position/Balance Sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

D. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

E. Notes Receivable

Notes receivable represents the right to receive repayment for a note made by the City. This note is based upon a written agreement between the City and the note recipient.

F. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life exceeding one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is not included as part of the capitalized value of the assets constructed.

Property, plant, and equipment is depreciated using the straight-line method over the estimated useful lives of the related assets. Depreciable lives used for property items within each property classification are as follows:

Classification	Useful Life
Buildings	40 years
Utility Plant in Service	40-80 years
Improvements other than Buildings	20-50 years
Machinery, Vehicles, Furniture	5-20 years
& Equipment	

H. Deferred Outflows/Inflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide and proprietary statements of net position for pension and other postemployment benefits (OPEB). The deferred outflows of resources represented to pension and OPEB are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, pension, other postemployment benefits (OPEB), and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 revenues include delinquent property taxes, income taxes, charges for services, intergovernmental grants, and interest. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide and proprietary fund statements of net position (See Notes 10 and 11).

I. Pensions/Other Postemployment Benefits (OPEB)

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

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All accumulated vacation leave and vested accumulated sick leave is recorded as a liability in the government-wide, proprietary, and fiduciary fund financial statements. In the governmental funds, accumulated vacation leave and vested accumulated sick leave that is expected to be liquidated with available financial resources are recorded as an expenditure and a fund liability of the governmental fund that will pay it.

The compensated absences liability for vacation leave includes salary-related payments, which are payments directly and incrementally related to the amount of salary paid to the employee. Salary-related payments include medicare taxes and employer contributions to cost-sharing multiple employer public employee retirement systems.

K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Balance

In accordance with Governmental Accounting Standards Board Statements No. 54, Fund Balance Reporting, the City classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The following categories were used:

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

Restricted – Fund balance is reported as restricted when constraints 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 – Fund balance is reported as committed for resources that can be used only for specific purposes pursuant to constraints imposed by formal action (resolution) of the City's highest level of decision-making authority (City Council).

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 as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the 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 an expense is incurred for purposes which both restricted and unrestricted fund balance/net position are available. The City considers committed, assigned and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

M. Interfund Transactions

Transfers between governmental and business-type activities on the government-wide financial statements are reported in the same manner as general revenues.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

During the normal course of operations, the City has numerous transactions between funds. Transfers represent movement of resources from a fund receiving revenue to a fund through which those resources will be expended and are recorded as other financing sources (uses) in the governmental funds and as transfers in proprietary funds. Interfund transactions that would be treated as revenues and expenditures/expenses if they involved organizations external to the City are treated similarly when involving other funds of the City.

N. Estimates

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

O. Net Position

Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws, or regulations of other governments. The City has restricted net position for capital projects, street maintenance and repair, public safety, conservation and recreation, economic development, health and judicial. The City did not have any net position restricted by enabling legislation. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

P. 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 and that are either unusual in nature or infrequent in occurrence. The City did not have any extraordinary or special items during fiscal year 2019.

Q. Budgetary Process

The City Auditor submits a proposed operating budget to the City Council on an annual basis. The Council enacts the budget through passage of an ordinance. The appropriation ordinance controls expenditures for each department and, within each, the amount appropriated for personal services. This is known as the legal level of control. Council can amend the budget at the legal level of control through the passage of supplemental ordinances. Management can amend appropriations below this level without council approval.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 3 - BUDGETARY BASIS OF ACCOUNTING

While the City is reporting financial position, results of operations, and changes in fund balances on the basis of United States 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 Balances - Budget (Non-GAAP Basis) and Actual – for the General Fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

(1) Revenues are recorded when received in cash (budget) as opposed to when they are both measurable and available (GAAP).

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

(3) Encumbrances are recorded as the equivalent of expenditures (budget) as opposed to an assignment of fund balance (GAAP).

(4) Due to the implementation of GASB 54, some funds were reclassified to the General Fund. These funds are not required to be included in the General Fund Budgetary Statement. Therefore, the activity from these funds is excluded with an adjustment for their change in fund balance.

Reconciliation of the major differences between the budget basis and GAAP basis are as follows:

	Gene	eral Fund
GAAP Basis	\$	716,661
Parks and Recreation Change		65,768
General Pension Reserve Change		(48,775)
Revenue Accruals		(641,606)
Expenditure Accruals		(86,041)
Encumbrances		(438,106)
Budget Basis	\$	(432,099)

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 funds.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

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

Protection of the City's 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.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

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

<u>Cash in Segregated Accounts</u> - At year end, the City had \$110,045 deposited with financial institutions for monies related to the Municipal Court which is reported as a custodial fund.

<u>Deposits</u> - At fiscal year end, the carrying amount of the City's deposits was \$2,750,070 and the bank balance was \$2,902,218. Of the bank balance, \$500,000 was covered by the Federal Depository Insurance Corporation (FDIC) and the remaining was uninsured and collateralized. The City's financial institutions were approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System.

Custodial credit risk is the risk that, in the event of bank failure, the City's deposits may not be returned. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute. Ohio law requires that deposits either be insured or be protected by:

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

<u>Investments</u> - As of December 31, 2019, the City had \$15,513,662 invested in negotiable certificates of deposit and \$174,074 in a money market fund.

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. All of the City's investments reported at fair value are valued using quoted market prices (Level 1 inputs).

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 4 - DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk. As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the City's investment policy limits investment portfolio maturities to five years or less. At December 31, 2019, the market value of negotiable certificates of deposit maturing in calendar years 2020, 2021, 2021, 2023, and 2024 were \$2,138,427, \$2,990,502, \$4,210,236, \$2,937,002, and \$3,237,495, respectively.

Credit Risk. The City's money market fund was rated AAAm and the City's negotiable certificates of deposit are unrated. The City has no investment policy that addresses credit risk.

Concentration of Credit Risk. The City places no limit on the amount that may be invested in any one issuer. The City's negotiable certificates of deposit were held with several banking institutions.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payments for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

NOTE 5 – NOTES RECEIVABLE

During 2017, the City transferred property to Mary Rutan Hospital. In return, Mary Rutan Hospital agreed to compensate the City with a \$1,000,000 note. Mary Rutan Hospital made payments, totaling \$200,000, during 2019. At December 31, 2019, the balance of the note was \$400,000.

NOTE 6 - TAXES

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 property taxes are assessed on tangible personal property at 88 percent of true value (with certain exceptions) and on real property at 35 percent of true value.

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 alternate payment dates to be established.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 6 – TAXES (CONTINUED)

The City receives property taxes from Logan County. The County Auditor periodically advances to the City its portion of the taxes collected. Accrued property taxes receivable represents delinquent taxes outstanding and real property and public utility property, which became measurable as of December 31, 2019. The assessed valuation of the City for tax year 2018, which were used to collect taxes in calendar year 2019 was \$226,754,880.

Income Taxes

The City levies an income tax of 1.333% on the gross salaries, wages and other personal services compensation earned by residents of the City and to the earnings of nonresidents working within the City. This tax also applies to the net income of businesses operating within the City. Residents of the City are granted a full credit for taxes paid, up to .666% which would be due the City, to other Ohio municipalities.

The receipts of the City income tax and the administrative costs associated with their collection are accounted for in the General Fund. Income tax receipts, net of related administrative costs, are disbursed, appropriated and allocated in accordance with ordinance No. 3565 as amended.

NOTE 7 – TAX ABATEMENTS

Ohio Enterprise Zone Program

The Ohio Enterprise Zone Program is an economic development tool used by the County that provides real and personal property tax exemptions to businesses making investments in the County. The tax being abated is real property tax. The tax incentives are negotiated by the County and the enterprise zone agreement must be in place before the project begins. The Ohio Enterprise Zone Program is part of chapter 5709 of the Ohio Revised Code.

The County's Enterprise Zone's geographic area is determined by the County. Resolution number 466-95 passed by the County sets forth the area of the County that can negotiate an enterprise zone agreement.

The taxes are abated by exempting a percentage of certain assessed valuation of the property for a period of time, in exchange for a commitment to purchase, remodel, and/or construct properties that will improve property value and/or bring/retain jobs to/within the County.

The Tax Incentive Review Council meets annually to review the exemptions and to determine whether the company is maintaining their end of the agreement. If an agreement is terminated by the Review Council, the assessed valuation of the property will be set at its fair market valuation with no additional exemption allowed. The gross dollar amount by which the taxes were reduced to the City for 2019 was as follows:

 Term	Percent	Amount		
2018-2027	75%	\$	2,594	
2018-2027	75%		3,040	
2018-2027	75%		2,073	
2015-2025	75%		334	
		\$	8,041	

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - CAPITAL ASSETS

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

Description	Restated Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Non-depreciated assets:					
Land	\$ 7,948,000	\$ -	\$ -	\$ -	\$ 7,948,000
Construction in Progress	6,444	6,744	-	(13,188)	-
Total Non-depreciated assets	7,954,444	6,744		(13,188)	7,948,000
Capital assets, being depreciated:					
Land Improvements	5,832,807	53,599	-	13,188	5,899,594
Buildings	4,949,901	-	-	-	4,949,901
Building Components	574,766	-	-	-	574,766
Equipment	2,090,421	536,687	(277,804)	-	2,349,304
Furniture	176,915	-	(5,542)	-	171,373
Vehicles	3,234,561	153,753	(33,348)	3,669	3,358,635
Infrastructure	20,781,213	495,850	-	-	21,277,063
Total depreciated assets	37,640,584	1,239,889	(316,694)	16,857	38,580,636
Total capital assets	45,595,028	1,246,633	(316,694)	3,669	46,528,636
Less accumulated depreciation for:					
Land Improvements	560,368	57,174	-	-	617,542
Buildings	2,782,166	76,995	-	-	2,859,161
Building Components	105,044	35,997	-	-	141,041
Equipment	1,381,839	128,992	(259,162)	-	1,251,669
Furniture	118,695	4,848	(5,652)	-	117,891
Vehicles	2,314,885	152,929	(30,127)	(16,276)	2,421,411
Infrastructure	11,288,313	591,210			11,879,523
Total accumulated depreciation	18,551,310	1,048,145	(294,941)	(16,276)	19,288,238
Total depreciable assets, net	19,089,274	191,744	(21,753)	33,133	19,292,398
Total capital assets, net	\$ 27,043,718	\$ 198,488	\$ (21,753)	\$ 19,945	\$ 27,240,398

The accumulated depreciation beginning balance was restated \$137,931 to reflect a prior period correction.

Depreciation expense was charged to governmental functions as follows:

Conservation and Recreation	\$ 85,581
Judicial	22,678
Legislative and Executive	80,626
Public Safety	150,983
Public Works	142,681
Transportation	 565,596
Total	\$ 1,048,145

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 8 - CAPITAL ASSETS (CONTINUED)

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

Description	 Restated Beginning Balance	1	Additions	D	Deletions	Т	ransfers	Ending Balance
Non-depreciated assets:								
Land	\$ 2,028,393	\$	-	\$	-	\$	-	\$ 2,028,393
Construction in Progress	569,895		809,933		-		(838,893)	540,935
Total Non-depreciated assets	 2,598,288		809,933		-		(838,893)	2,569,328
Capital assets, being depreciated:								
Land Improvements	8,612,882		48,456		-		-	8,661,338
Buildings	14,178,353		-		(8,013)		-	14,170,340
Building Components	131,005		6,185		-		-	137,190
Equipment	5,645,353		316,886		(6,035)		303,553	6,259,757
Furniture	72,772		-		-		-	72,772
Vehicles	2,148,822		222,452		(16,769)		(3,669)	2,350,836
Infrastructure	 21,090,240		147,800		-		535,340	21,773,380
Total depreciated assets	 51,879,427		741,779		(30,817)		835,224	53,425,613
Total capital assets	54,477,715		1,551,712		(30,817)		(3,669)	 55,994,941
Less accumulated depreciation for:								
Land Improvements	2,155,298		157,016		-		-	2,312,314
Buildings	4,750,623		227,289		(7,213)		-	4,970,699
Building Components	38,511		8,338		-		-	46,849
Equipment	3,003,879		332,707		(6,035)		-	3,330,551
Furniture	28,820		6,083		-		-	34,903
Vehicles	879,313		172,276		(15,092)		16,276	1,052,773
Infrastructure	 8,253,651		684,645					 8,938,296
Total accumulated depreciation	19,110,095		1,588,354		(28,340)		16,276	20,686,385
Total depreciable assets, net	32,769,332		(846,575)		(2,477)		818,948	32,739,228
Total capital assets, net	\$ 35,367,620	\$	(36,642)	\$	(2,477)	\$	(19,945)	\$ 35,308,556

The accumulated depreciation beginning balance was restated \$2,406,378 to reflect a prior period correction.

Depreciation expense was charged to proprietary funds as follows:

Water	\$ 470,605
Sewer	771,341
Airport	246,521
Garbage	40,331
Ambulance	47,975
Other Nonmajor	 11,581
Total	\$ 1,588,354

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended December 31, 2019, was as follows:

	Beginning	New		Ending	Due in
Governmental Activities:	Balance	Issues	Retirements	Balance	One Year
General Obligation Bonds and Loans:			(2.5. 2.0.1)		
2010 Energy Project Bonds, 2-3.75%, 2027	358,598	-	(35,284)	323,314	36,004
Unamortized premium on sale of bonds	2,268	-	(418)	1,850	-
Total Bonds	360,866	-	(35,702)	325,164	36,004
Direct Issuance Loans:					
OPWC Street Resurfacing, 0%, 2019	15,000	-	(15,000)	-	-
OPWC Roadway Improvement 0%, 2033	175,978	-	(11,732)	164,246	11,732
OPWC Wispering Pines Resurfacing, 0%, 2036	209,380	-	(11,964)	197,416	11,964
Logan County Loan, 0%, 2019	24,175	-	(24,175)	-	-
Total Loans	424,533	-	(62,871)	361,662	23,696
Compensated Absences Payable	1,240,449	322,322	(311,575)	1,251,196	491,354
Net Pension Liability	9,971,372	4,875,842	-	14,847,214	-
Net OPEB Liability	8,658,123	-	(5,462,348)	3,195,775	-
Capital Lease Payable	-	25,053	(4,138)	20,915	4,735
Total Governmental Activites	20,655,343	5,223,217	(5,876,634)	20,001,926	555,789
Business-Type Activities:					
Revenue and General Obligation Bonds and Loans:					
Airport Improvement Refunding, 2.57%, 2023	683,332	-	(125,667)	557,665	130,667
2010 Energy Project Bonds 2-3.75%, 2027	2,131,402	-	(209,717)	1,921,685	213,996
Unamortized premium on sale of bonds	13,476	-	(2,486)	10,990	-
Total Bonds	2,828,210	-	(337,870)	2,490,340	344,663
Direct Issuance Loans:					
OPWC Waterline Replacement, 0%, 2025	4,628	-	(712)	3,916	712
OPWC Storm Water Drainage, 0%, 2028	79,800	-	(8,400)	71,400	8,400
OPWC Wastewater Treatment Plant Upgrade, 0%, 2031	188,760	-	(14,520)	174,240	14,520
Total Loans	273,188	-	(23,632)	249,556	23,632
Compensated Absences Payable	425,144	144,918	(115,486)	454,576	129,204
Net Pension Liability	2,595,457	1,114,409	-	3,709,866	-
Net OPEB Liability	1,930,194	-	(465,354)	1,464,840	-
Total Business-Type Activites	8,052,193	1,259,327	(942,342)	8,369,178	497,499
Total Long-Term Obligations	\$ 28,707,536	\$ 6,482,544	\$ (6,818,976)	\$ 28,371,104	\$ 1,053,288

General obligation bonds are direct obligations of the City for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the City.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

Water and sewer revenue bonds are for utility construction projects. Revenues of the utility facilities have been pledged to repay these debts.

The compensated absences liability represents accrued bonus, compensatory time, vacation, and sick leave benefits as of December 31, 2019 (See Note 12). The compensated absences will be paid from the funds in which the employees' salaries are paid.

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the funds in which the employees' salaries are paid. For additional information related to the net pension liability and net OPEB liability see Notes 10 and 11.

During 2012, the City entered into a loan arrangement through the Ohio Public Works Commission (OPWC) to fund various roadway improvements. The loan was in the amount of \$234,637.

On September 2, 2010, the City issued \$6.715 million in General Obligation Bonds to finance future projects (\$5,260,000), current refund the 1999 storm water bonds (\$475,000) and current refund the 1995 Water Mortgage Revenue Bonds (\$980,000). The bonds were issued with interest rates ranging from 2.0% to 3.75%, compared to the refunded bonds having an interest rate ranging from 3.75% to 5.2%.

The sewer current refunding reduces its total debt service over a five year period by \$29,287 and obtained an economic gain (difference between present values of the old and new debt service payments) of approximately the same amount.

The water current refunding reduces its total debt service over a five year period by \$98,722 and obtained an economic gain (difference between present values of the old and new debt service payments) of approximately the same amount.

During 2015, the City entered into a loan arrangement through the OPWC. The loan was for the funding of the Whispering Pines subdivision resurfacing. The OPWC loan amount was \$239,291.

Also in 2015, the City issued \$1,126,000 in Airport Improvement Refunding Bonds for the purpose of refinancing the outstanding 2004 Airport Improvement General Obligation Bonds. The bonds will be repaid from the Airport fund and have interest rate of 2.57 percent. As a result of this refunding, the City reduced its total debt requirements by \$111,811.

During 2016, the City entered into an interest free loan agreement with Logan County in the amount of \$96,703 for the purpose of upgrading the City's 911 system. The loan carries an interest rate of 0 percent and matured in 2019.

During 2005, the City entered into a loan arrangement through the OPWC. The loan was for the funding of the West Sandusky Waterline Replacement. The OPWC loan amount was \$14,241.

During 2008, the City entered into a loan arrangement through the OPWC. The loan was for the funding of the Storm Water Drainage Improvement Project. The OPWC loan amount was \$168,000.

During 2012, the City entered into a loan arrangement through the OPWC. The loan was for the funding of the Bellefontaine Wastewater Treatment Plant Upgrade. The OPWC loan amount was \$168,000.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 9 - LONG-TERM OBLIGATIONS (CONTINUED)

A summary of the City's future debt service requirements as of December 31, 2019 were as follows:

		Government	al Activ	tivities Business-Type Activities			vities	
Year	F	Principal		Interest		Principal		Interest
2020	\$	59,700	\$	10,824	\$	368,295	\$	78,664
2021		61,140		9,744		381,855		68,927
2022		61,860		8,620		391,135		58,723
2023		63,300		7,428		409,691		48,020
2024		64,740		6,140		267,588		36,496
2025-2029		249,538		9,750		881,302		57,949
2030-2034		106,752		-		29,040		-
2035-2036		17,946		-		-		-
	\$	684,976	\$	52,506	\$	2,728,906	\$	348,779

NOTE 10 - DEFINED BENEFIT PENSION PLANS

Net Pension (Asset)/Liability

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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

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

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

Group A	Group B	Group C
Eligible to retire prior to	20 years of service credit prior to	Members not in other Groups
January 7, 2013 or five years	January 7, 2013 or eligible to retire	and members hired on or after
after January 7, 2013	ten years after January 7, 2013	January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements:	Age and Service Requirements:	Age and Service Requirements:
Age 60 with 5 years of service credit	Age 60 with 5 years of service credit	Age 57 with 25 years of service credit
or Age 55 with 25 years of service credit	or Age 55 with 25 years of service credit	or Age 62 with 5 years of service credit
Traditional Plan Formula:	Traditional Plan Formula:	Traditional Plan Formula:
2.2% of FAS multiplied by years of	2.2% of FAS multiplied by years of	2.2% of FAS multiplied by years of
service for the first 30 years and 2.5%	service for the first 30 years and 2.5%	service for the first 35 years and 2.5%
for service years in excess of 30	for service years in excess of 30	for service years in excess of 35
Combined Plan Formula:	Combined Plan Formula:	Combined Plan Formula:
1.0% of FAS multiplied by years of	1.0% of FAS multiplied by years of	1.0% of FAS multiplied by years of
service for the first 30 years and 1.25%	service for the first 30 years and 1.25%	service for the first 35 years and 1.25%
for service years in excess of 30	for service years in excess of 30	for service years in excess of 35

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

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

2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2019 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Postemployment Health Care Benefits	0.0 %
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$560,482 for 2019. Of this amount, \$54,421 is reported as an intergovernmental payable.

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

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

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced.

Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

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

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

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$724,169 for 2019. Of this amount \$77,878 is reported as an intergovernmental payable.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportion of the Net Pension				
Liability/(Asset)				
Current Measurement Date	0.026344%	0.027696%	0.138950%	
Prior Measurement Date	0.026638%	0.030152%	0.136664%	
Change in Proportionate Share	-0.000294%	-0.002456%	0.0022860%	
Proportionate Share of the Net Pension Liability/(Asset)	\$ 7,215,088	\$ (30,970)	\$ 11,341,992	\$ 18,526,110
Pension Expense	\$ 1,640,579	\$ 2,366	\$ 1,609,343	\$ 3,252,288

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

	Trac	OPERS litional Plan	OPERS n Combined Plan		OP&F		Total
Deferred Outflows of Resources							
Differences between expected and							
actual experience	\$	332	\$	-	\$	465,997	\$ 466,329
Net difference between projected and							
actual earnings on pension plan investments		979,290		6,672		1,397,324	2,383,286
Changes of assumptions		628,090		6,917		300,692	935,699
Change in proportionate share		257,447		1,960		541,074	800,481
City contributions subsequent to the							
measurement date		549,770		10,712		724,169	1,284,651
Total Deferred Outflows of Resources	\$	2,414,929	\$	26,261	\$ 3	3,429,256	\$ 5,870,446
Deferred Inflows of Resources							
Differences between expected and							
actual experience	\$	94,738	\$	12,649	\$	10,592	\$ 117,979
Change in proportionate share		137,114		1,161		201,949	 340,224
Total Deferred Inflows of Resources	\$	231,852	\$	13,810	\$	212,541	\$ 458,203

\$1,284,651 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 (asset)/liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS	OPERS		
	Traditional Plan	Combined Plan	OP&F	Total
Year Ending December 31:				
2020	659,384	1,113	754,108	1,414,605
2021	427,473	(217)	413,191	840,447
2022	91,019	(76)	534,116	625,059
2023	455,431	2,009	733,246	1,190,686
2024	-	(732)	57,885	57,153
Therafter		(358)		(358)
Total	\$ 1,633,307	\$ 1,739	\$2,492,546	\$ 4,127,592

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2018, using the following actuarial assumptions and methods applied to all periods included in the measurement:

	Traditional Plan	Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases,	3.25 to 10.75 percent including wage	3.25 to 8.25 percent including wage
Including Inflation	inflation	inflation
COLA or Ad Hoc COLA	Pre-1/7/13 Retirees: 3 percent, simple	Pre-1/7/13 Retirees: 3 percent, simple
	Post-1/7/13 Retirees: 3 percent simple	Post-1/7/13 Retirees: 3 percent simple
	through 2018, then 2.15 percent simple	through 2018, then 2.15 percent simple
Investment Rate of Return	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates 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 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. 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

	1% Decrease		Curr	Current Discount Rate		% Increase
		(6.20%)		(7.20%)	<u> </u>	(8.20%)
City's proportionate share						
of the net pension (asset)/liability						
Traditional Plan	\$	10,658,782	\$	7,215,088	\$	4,353,346
Combined Plan		(10,248)		(30,970)		(45,975)

The allocation of investment assets within the Defined Benefit portfolio is approved by the OPERS 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 following table displays the OPERS Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018 and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

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

Valuation Date January 1, 2018 with actuarial liabilities rolled f		
	to December 31, 2018	
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)	
Actuarial Assumption		
Experience Study Date	5 year period ended December 31, 2016	
Investment Rate of Return	8.00 percent	
Cost of Living Increases (COLA)	3.00 percent simple; 2.2 percent simple for increases	
	based on the lesser of the increase in CPI and 3.00	
	percent	
Salary Increases	3.75 percent to 10.50 percent	
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase	
	rate of 0.50 percent	

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates as follows, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent. For ages 67 or less, rates for police and fire are 77 percent and 68 percent, respectively. For ages 68 to 77, rates for police and fire are 105 percent, respectively. For ages 78 and up, rates for police and fire are 115 percent and 87 percent, respectively. For ages 78 and up, rates for police and fire are 115 percent and 120 percent, respectively. Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the following rates and projected with the Conduit Modified 2016 Improvement Scale. Rates for ages 59 or less for police and fire are 35 percent. Rates for ages 60 to 69 for police and fire are 60 percent and 45 percent, respectively. Rates for ages 70 to 79 for police and fire are 75 percent and 70 percent, respectively. Rates for ages 80 and up for police and fire are 100 percent and 90 percent, respectively.

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

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income *	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
US Inflation Linked Bonds*	17.00	2.30
Master Limited Partnerships	8.00	6.40
RealAssets	8.00	7.00
Private Real Estate	12.00	6.10
Total	120.00 %	

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

Note: Assumptions are geometric * levered 2x

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 10 - DEFINED BENEFIT PENSION PLANS (CONTINUED)

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

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

	1%	6 Decrease	Current	Discount Rate	1%	6 Increase
		(7.00%)	(8.00%)		(9.00%)	
City's proportionate share						
of the net pension liability	\$	14,908,266	\$	11,341,992	\$	8,361,854

NOTE 11 – DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

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 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

The proportionate share of each plan's unfunded benefits is presented as a long-term net OPEB liability on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year would be included in intergovernmental payable 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' CAFR referenced below for additional information.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

With the assistance of OPERS' actuary and OPERS Board approval, a portion of each employer contribution to OPERS may be set aside for the funding of post-employment health care coverage. The portion of Traditional Pension Plan and Combined Plan employer contributions allocated to health care was zero for 2019. The employer contribution as a percent of covered payroll deposited for Member-Directed Plan health care accounts for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2019.

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2019, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

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

The City's contractually required contribution to OP&F was \$17,426 for 2019. Of this amount \$1,884 is reported as an intergovernmental payable.

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

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

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.0260420%	0.13895000%	
Prior Measurement Date	0.0262000%	0.13666400%	
Change in Proportionate Share	0.0001580%	0.0022860%	
Proportionate Share of the Net			
OPEB Liability	\$ 3,395,262	\$ 1,265,353	\$ 4,660,615
OPEB Expense	\$ 314,900	\$ (6,165,766)	\$ (5,850,866)

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

	OPERS		OP&F		Total
Deferred Outflows of Resources					
Differences between expected and					
actual experience	\$	1,150	\$	-	\$ 1,150
Net difference between projected and					
actual earnings on OPEB plan investments		155,653		42,834	198,487
Changes of assumptions		109,467		655,899	765,366
Change in proportionate share		171,743		434,455	606,198
City contributions subsequent to the					
measurement date				17,426	 17,426
Total Deferred Outflows of Resources	\$	438,013	\$ 1	1,150,614	\$ 1,588,627
Deferred Inflows of Resources					
Differences between expected and					
actual experience	\$	9,212	\$	33,901	\$ 43,113
Changes of assumptions		-		350,310	350,310
Change in proportionate share		90,816		62,092	 152,908
Total Deferred Inflows of Resources	\$	100,028	\$	446,303	\$ 546,331

\$17,426 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	 OPERS	_	OP&F	 Total
Year Ending December 31:				
2020	128,917		119,296	248,213
2021	102,644		119,296	221,940
2022	28,008		119,299	147,307
2023	78,416		132,251	210,667
2024	-		111,827	111,827
Therafter	 		84,916	 84,916
Total	\$ 337,985	\$	686,885	\$ 1,024,870

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.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018.

The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

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

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females 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 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. 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

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

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.96 percent) or one-percentage-point higher (4.96 percent) than the current rate:

	 Decrease (2.96%)	 count Rate (3.96%)	 % Increase (4.96%)
City's proportionate share of the net OPEB liability	\$ 4,343,806	\$ 3,395,262	\$ 2,640,919

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.0 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

	(Current Health Care	2
		Trend Rate	
	1% Decrease	Assumption	1% Increase
City's proportionate share			
of the net OPEB liability	\$ 3,263,583	\$ 3,395,262	\$ 3,546,920

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is a loss of 5.6 percent for 2018.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

Actuarial Assumptions – OP&F

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

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

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 as follows, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

For ages 67 or less, rates for police and fire are 77 percent and 68 percent, respectively. For ages 68 to 77, rates for police and fire are 105 percent and 87 percent, respectively. For ages 78 and up, rates for police and fire are 115 percent and 120 percent, respectively.

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the following rates and projected with the Conduit Modified 2016 Improvement Scale. Rates for ages 59 or less for police and fire are 35 percent. Rates for ages 60 to 69 for police and fire are 60 percent and 45 percent, respectively. Rates for ages 70 to 79 for police and fire are 75 percent and 70 percent, respectively. Rates for ages 80 and up for police and fire are 100 percent and 90 percent, respectively.

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, 2018, are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return					
Cash and Cash Equivalents	- %	0.80 %					
Domestic Equity	16.00	5.50					
Non-US Equity	16.00	5.90					
Private Markets	8.00	8.40					
Core Fixed Income *	23.00	2.60					
High Yield Fixed Income	7.00	4.80					
Private Credit	5.00	7.50					
US Inflation Linked Bonds*	17.00	2.30					
Master Limited Partnerships	8.00	6.40					
Real Assets	8.00	7.00					
Private Real Estate	12.00	6.10					
Total	120.00 %						

Note: Assumptions are geometric

* levered 2x

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

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 11 – DEFINED BENEFIT OPEB PLANS (CONTINUED)

Discount Rate The total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent.

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

	10	% Decrease (3.66%)	Di	scount Rate (4.66%)	1% Increase (5.66%)	
City's proportionate share						
of the net OPEB liability	\$	1,541,545	\$	1,265,353	\$ 1,033,513	

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

NOTE 12 - EMPLOYEE BENEFITS

The City accrues unpaid bonus, compensatory time and vacation as it is earned and certain portions of sick leave as payment becomes probable. Sick leave accumulates at the rate of 4.6 hours of sick leave for 80 hours of work completed. Sick leave may be converted into cash upon retirement with ten years of service at the rate of thirty-three percent for a maximum of 40 eight-hour workdays. Individuals leaving employment of the City prior to retirement or at retirement with less than three years of service lose their accumulated unpaid vested leave.

Vacation leave accumulates at a varying rate based upon years of service. No more than three years entitlement of vacation can be carried forward into the next calendar year unless the employee is unable to use his vacation due to the operational needs of the City. In the case of death, termination, or retirement, an employee (or his estate) is paid for the unused vacation up to a maximum of the three-years' entitlements accrual.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 12 - EMPLOYEE BENEFITS (CONTINUED)

At December 31, 2019, the City's liability for accumulated unpaid sick leave was \$647,480. A liability of \$452,492 has been recognized in the governmental activities and \$194,988 has been recognized in the business-type activities. In addition, the City's liability for accrued vacation, compensatory and bonus accumulation was \$1,058,292. A liability of \$798,704 has been recognized in the governmental activities and \$259,588 has been recognized in the business-type activities.

NOTE 13 – CONTINGENCIES

The City may be a defendant in several lawsuits, the outcome of which cannot be determined. It is the opinion of the City's Law Director that any judgment against the City would not have a material adverse effect on the City's financial position.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

NOTE 14 - CONDUIT DEBT OBLIGATIONS

The City has issued Hospital Facilities Revenue and Refunding Bonds and a Master Equipment Lease-Purchase and Sublease-Purchase agreement for financing the acquisition, construction and installation of certain Hospital Facilities and for the acquisition of equipment for the Mary Rutan Health Association of Logan County. The debt is secured by the property financed and is payable solely from payments received on the underlying mortgage loans. Upon repayment of the debt, ownership of the acquired facilities transfers to the Mary Rutan Health Association of Logan County, the entity served by the debt issuance. Neither the City or State, nor any political subdivision thereof is obligated in any manner for repayment of the debt. Accordingly, the debt is not reported as a liability in the accompanying financial statements.

The original issuance for the Revenue Bonds in 2006, later refunded in 2012, was \$15,000,000. In addition, the original issuance for the Revenue Bonds in 2017 was \$11,000,000. As of December 31, 2019, the revenue bonds outstanding were \$6,976,306 and \$10,706,991, respectively.

NOTE 15 – LIABILITY INSURANCE

The City is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage with private carriers for real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. Real property and contents are 100% insured with a \$1,000 deductible. Settled claims have not exceeded this commercial coverage in any of the last three years. There have been no significant reductions in insurance coverage from last year.

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 15 – LIABILITY INSURANCE (CONTINUED)

All employees of the City are covered by a blanket bond, while certain individuals in policy making roles are covered by separate, higher limit bond coverage. The City pays the State Worker's Compensation System a premium based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs.

Medical coverage is offered to employees and is administered through an internal service fund. Medical Mutual of Ohio manages the claims and also absorbs the risk of loss.

NOTE 16 – INTERFUND ACTIVITY

A schedule of interfund transfers during the year is as follows:

Fund	Transfers In			ransfers Out
General	\$	-	\$	642,510
Other Governmental Funds	24	8,000		-
Airport Fund	39	3,510		-
Parking Meter Fund		1,000		
	\$ 64	2,510	\$	642,510

Transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. All transfers were made in accordance with Ohio Revised Code.

In addition, there were several capital asset transfers during the year, as follows:

Fund	 ransfers In	T:	ransfers Out
Governmental Activities	\$ 22,188	\$	2,243
Sewer Fund	-		22,188
Airport Fund	2,243		-
	\$ 24,431	\$	24,431

Interfund balances at December 31, 2019 consisted of the following:

Fund	eginning Balance	 ew ances	_	dvance payments	Ending <u>Balance</u>		
Capital Improvement Street Department	\$ 84,000 (84,000)	\$ -	\$	(28,000) 28,000	\$	56,000 (56,000)	
Total Governmental Activities	 -	 -		-		-	

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 16 – INTERFUND ACTIVITY (CONTINUED)

The advance from the capital improvement fund to the street department fund (a nonmajor governmental fund) was made to help finance projects due to insufficient funds. When the City begins charging for storm water these monies will be repaid. Advances not expected to be repaid within one year will be recorded as Advances to/from Other Funds. Those expected to be repaid within one year will be recorded as Due to/from Other Funds.

NOTE 17 – CAPITAL LEASES – LESSEE

During 2019, the City entered into a capital lease agreement for the purchase of two copiers and ten printers. The copiers have been capitalized in the amount of \$16,449. Accumulated depreciation as of June 30, 2019 was \$2,960, leaving a current book value of \$13,750. The copiers did not exceed the City's capitalization threshold and have been expensed in the amount of \$8,604. The total lease amount of \$25,053 represents the present value of minimum lease payments at the time of acquisition. A corresponding liability was also recorded.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2019:

Year	A	mount
2020	\$	5,673
2021		5,673
2022		5,673
2023		5,673
2024		473
Less amount representing interest		(2,250)
Present Value of Minimum Lease Payments	\$	20,915

NOTE 18 – FUND RECLASSIFICATIONS

The Street Department Fund did not meet the definition of a major fund during 2019. Therefore, the fund was reclassified as Other Governmental Funds. The effect of this reclassification on fund balance is as follows:

	Street			Other		
	Department			Governmental		
		Fund	Funds			
Fund Balances, December 31, 2018 Major Fund Reclassifications:	\$	479,098	\$	2,499,902		
Street Department Fund		(479,098)		479,098		
Fund Balances, January 1, 2019	\$	-	\$	2,979,000		

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 19 – CHANGES IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION

For fiscal year 2019, the City implemented GASB Statement No. 88, "*Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*" which improves the information that is disclosed in notes to government 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 this statement did not have a significant effect on the financial statements of the City; however, certain note disclosures in Note 9 have been modified to conform to the new requirements.

For fiscal year 2019, the City implemented GASB Statement No. 90, "*Majority Equity Interests-an amendment of GASB Statements No. 14, and No. 61*" which improves consistency and comparability of reporting a government's major equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The implementation of this statement did not have an effect on the financial statements of the City.

For fiscal year 2019, the City implemented GASB Statement No. 84, "*Fiduciary Activities*" which enhances consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The implementation of this statement required a restatement of the financial statements of the City.

In fiscal year 2019, the City had to restate net position to correct errors in accounting for capital assets and net pension/OPEB liabilities in prior fiscal years.

The implementation of GASB Statement No. 84 and the correction of errors related to capital asset and net pension/OPEB accounting had the following effects on net position as reported December 31, 2018:

		Governmental	Business-type	Custodial
	General Fund	Activites	Activities	Funds
Net Position December 31, 2018 Adjustments:	\$ 4,487,926	\$ 21,103,185	\$ 37,490,941	\$ -
GASB Statement No. 84	11,559	11,559	-	119,130
Net Pension/OPEB Liabilities	-	-	259,527	-
Depreciable Capital Assets	-	(137,931)	(2,406,378)	_
Restated Net Position December 31, 2018	\$ 4,499,485	\$ 20,976,813	\$ 35,344,090	\$ 119,130
	Water	Sewer	Airport	Ambulance
Net Position December 31, 2018	\$ 10,220,691	\$ 16,389,134	\$ 9,506,109	\$ (254,495)
Adjustments: Net Pension/OPEB Liabilities	-	-	-	259,527
Depreciable Capital Assets	(118,708)	(837,508)	(1,450,162)	
Restated Net Position December 31, 2018	\$ 10,101,983	\$ 15,551,626	\$ 8,055,947	\$ 5,032

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2019

NOTE 20 – SUBSEQUENT EVENTS

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

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REQUIRED SUPPLEMENTARY INFORMATION

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET)/LIABILITY OHIO PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

Last Six Years (1)

	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension						
(Asset)/Liability Traditional Plan	0.026344%	0.026638%	0.026551%	0.026539%	0.026567%	0.026567%
Combined Plan	0.027696%	0.030152%	0.028263%	0.028510%	0.026397%	0.026397%
City's Proportionate Share of the Net Pension						
(Asset)/Liability						
Traditional Plan	\$ 7,215,088	\$4,179,142	\$6,029,281	\$4,596,890	\$3,204,278	\$3,131,903
Combined Plan	(30,970)	(41,047)	(15,730)	(13,873)	(10,163)	(2,770)
City's Covered Payroll	\$ 3,921,479	\$3,781,738	\$3,469,141	\$ 3,454,729	\$3,365,133	\$3,338,738
City's Proportionate Share of the Net Pension (Asset)/Liability as a Percentage of its Covered Payroll	183.20%	109.42%	173.34%	132.66%	94.92%	93.72%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability						
Traditional Plan	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
Combined Plan	126.64%	137.28%	116.55%	116.90%	114.83%	104.56%

(1) This schedule is intended to show information for ten years. Information prior to 2014 is not available.

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

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY OHIO POLICE AND FIRE PENSION FUND

Last Six Years (1)

	2019	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.138950%	0.136664%	0.129007%	0.133363%	0.1305117%	0.1305117%
City's Proportionate Share of the Net Pension Liability	\$ 11,341,992	\$ 8,387,687	\$ 8,171,174	\$ 8,579,335	\$6,761,050	\$ 6,356,329
City's Covered Payroll	\$ 3,261,277	\$3,193,277	\$2,730,714	\$2,720,166	\$ 2,620,598	\$2,483,471
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	347.78%	262.67%	299.23%	315.40%	258.00%	255.95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%	72.20%	73.00%

(1) This schedule is intended to show information for ten years. Information prior to 2014 is not available.

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

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CITY PENSION CONTRIBUTIONS OHIO PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

Last Seven Years (1)

	 2019	 2018	 2017	 2016	 2015	 2014	 2013
Contractually Required Contribution	\$ 560,482	\$ 549,007	\$ 491,626	\$ 416,297	\$ 414,567	\$ 403,816	\$ 434,036
Contributions in Relation to the Contractually Required Contribution	\$ (560,482)	\$ (549,007)	\$ (491,626)	\$ (416,297)	\$ (414,567)	\$ (403,816)	\$ (434,036)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ 	\$ 	\$ 	\$ -
Covered Payroll	\$ 4,003,444	\$ 3,921,479	\$ 3,781,738	\$ 3,469,141	\$ 3,454,729	\$ 3,365,133	\$ 3,338,738
Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

(1) This schedule is intended to show information for ten years. Information prior to 2013 is not available.

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CITY PENSION CONTRIBUTIONS OHIO POLICE AND FIRE PENSION FUND

Last Eight Years (1)

	2019	2018	2017	2016	2015	2014	2013	2012
Contractually Required Contribution	\$ 724,169	\$ 677,018	\$ 664,043	\$ 571,435	\$ 569,894	\$ 546,183	\$ 444,932	\$ 352,766
Contributions in Relation to the Contractually Required Contribution	\$ (724,169)	\$ (677,018)	\$ (664,043)	\$ (571,435)	\$ (569,894)	\$ (546,183)	\$ (444,932)	\$ (352,766)
Contribution Deficiency (Excess)	\$-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 3,484,984	\$ 3,261,277	\$ 3,193,277	\$ 2,730,714	\$ 2,720,166	\$ 2,620,598	\$ 2,483,471	\$ 2,416,073
Contributions as a Percentage of Covered Payroll	20.78%	20.76%	20.80%	20.93%	20.95%	20.84%	17.92%	14.60%

(1) This schedule is intended to show information for ten years. Information prior to 2012 is not available.

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY OHIO PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

Last Three Years (1)

	 2019	2018	2017
City's Proportion of the Net OPEB Liability	0.026042%	0.026200%	0.0260321%
City's Proportionate Share of the Net OPEB Liability	\$ 3,395,262	\$ 2,845,127	\$ 2,629,421
City's Covered Payroll	\$ 3,921,479	\$ 3,781,738	\$ 3,469,141
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	86.58%	75.23%	75.79%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.05%

(1) This schedule is intended to show information for ten years. Information prior to 2017 is not available.

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

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY OHIO POLICE AND FIRE PENSION FUND

Last Three Years (1)

	 2019	2018	2017
City's Proportion of the Net OPEB Liability	0.138950%	0.136664%	0.129007%
City's Proportionate Share of the Net OPEB Liability	\$ 1,265,353	\$ 7,743,190	\$ 6,123,672
City's Covered Payroll	\$ 3,261,277	\$ 3,193,277	\$ 2,730,714
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	38.80%	242.48%	224.25%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	14.13%	18.00%

(1) This schedule is intended to show information for ten years. Information prior to 2017 is not available.

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

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CITY OPEB CONTRIBUTIONS OHIO PUBLIC EMPLOYEE'S RETIREMENT SYSTEM

Last Seven Years (1)

	2019		2	2018		2017		2016		2015		2014		2013
Contractually Required Contribution	\$	-	\$	-	\$	37,817	\$	69,383	\$	69,095	\$	68,376	\$	33,373
Contributions in Relation to the Contractually Required Contribution	\$	-	\$		\$	(37,817)	\$	(69,383)	\$	(69,095)	\$	(68,376)	\$	(33,373)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-	\$	-
Covered Payroll	\$ 4,003,44	14	\$ 3,	921,479	\$ 3	3,781,738	\$ 3	3,469,141	\$ 3	3,454,729	\$ 3	3,365,133	\$ 3	,338,738
Contributions as a Percentage of Covered Payroll	0.00)%		0.00%		1.00%		2.00%		2.00%		2.03%		1.00%

(1) This schedule is intended to show information for ten years. Information prior to 2013 is not available.

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CITY OPEB CONTRIBUTIONS OHIO POLICE AND FIRE PENSION FUND

Last Eight Years (1)

		2019		2018		2017		2016		2015		2014		2013		2012
Contractually Required Contribution	\$	17,426	\$	16,306	\$	15,967	\$	13,654	\$	13,601	\$	13,174	\$	87,420	\$	161,976
Contributions in Relation to the Contractually Required Contribution	\$	(17,426)	\$	(16,306)	\$	(15,967)	\$	(13,654)	\$	(13,601)	\$	(13,174)	\$	(87,420)	\$	(161,976)
Contribution Deficiency (Excess)	\$	-	\$	-	\$	-	\$	_	\$	_	\$	_	\$	-	\$	_
Covered Payroll	\$ 3	3,484,984	\$ 3	,261,277	\$ 3	3,193,277	\$ 2	,730,714	\$ 2	,720,166	\$ 2	2,620,598	\$ 2	2,483,471	\$ 2	,416,073
Contributions as a Percentage of Covered Payroll		0.50%		0.50%		0.50%		0.50%		0.50%		0.50%		3.52%		6.70%

(1) This schedule is intended to show information for ten years. Information prior to 2012 is not available.

CITY OF BELLEFONTAINE, OHIO NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED DECEMBER 31, 2019

Ohio Public Employees Retirement System

Net Pension Liability

Changes of benefit terms. There were no significant changes of benefit terms in 2019.

Changes of assumptions. Amounts reported in 2019 reflect changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 7.5% down to 7.2%, for the defined benefit investments.

Net OPEB Liability

Changes of benefit terms. There were no significant changes of benefit terms in 2019.

Changes of assumptions. For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. There was also a reduction in the actuarial assumed rate of return from 6.50 percent down to 6.00 percent.

Ohio Police and Fire Pension System

Net Pension Liability

Changes of benefit terms. There were no significant changes of benefit terms in 2019.

Changes of assumptions. There were no significant changes of assumptions in 2019.

Net OPEB Liability

Changes of benefit terms. There were no significant changes of benefit terms in 2019.

Changes of assumptions. For 2019, the single discount rate changed from 3.24 percent to 4.66 percent.



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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 Bellefontaine Logan County 135 North Detroit Street Bellefontaine, Ohio 43311

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 Bellefontaine, Logan County, Ohio, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City of Bellefontaine's basic financial statements and have issued our report thereon dated June 23, 2020, wherein we noted as discussed in Note 20, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods. We also noted as discussed in Note 19, the City of Bellefontaine adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* and had prior period adjustments to correct errors in accounting for capital assets and net pension/OPEB liabilities in prior years.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City of Bellefontaine's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinions on the financial statements, but not to the extent necessary to opine on the effectiveness of the City of Bellefontaine'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 of Bellefontaine'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. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses that we consider a significant deficiency. We consider finding 2019-001 to be a significant deficiency.

City of Bellefontaine Logan County Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by *Government Auditing Standards* Page 2

Compliance and Other Matters

As part of reasonably assuring whether the City of Bellefontaine'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 determination of financial statement amounts. 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 of Bellefontaine's Response to Finding

The City of Bellefontaine's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. We did not subject the City of Bellefontaine'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 of Bellefontaine's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City of Bellefontaine's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Julian & Sube, the.

Julian & Grube, Inc. June 23, 2020

CITY OF BELLEFONTAINE LOGAN COUNTY, OHIO

SCHEDULE OF FINDINGS AND RESPONSES DECEMBER 31, 2019

FINDINGS RELATED TO THE FINANCIAL STATEMENTS								
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS								
Finding Number	2019-001							

Significant Deficiency - Financial Statement Presentation

Accurate financial reporting is required in order to provide management and other stakeholders with objective and timely information to enable well-informed decisions.

Prior period adjustments were posted to the financial statements for the year ended December 31, 2019, to properly state financial statement amounts. For the City of Bellefontaine's government-wide financial statements, the net position for the governmental activities at beginning of year was decreased by \$137,931 to properly restate capital assets for 2018. For the proprietary fund financial statements, the net position at beginning of year was decreased by \$118,708 for the Water fund, \$837,508 for the Sewer fund and \$1,450,162 for the Airport fund to properly restate capital assets for 2018. Also, for the proprietary fund financial statements, the beginning net position was increased by \$259,527 for the Ambulance fund to properly restate the net pension and other postemployment benefit liability for 2018.

The audited financial statements, note disclosures, and City records have been adjusted for the misstatements identified during the audit.

Presentation of materially correct financial statements and the related footnotes is the responsibility of management. This responsibility remains intact even if management decides to outsource this function for efficiency purposes or any other reason. In either case, it is important that control procedures are developed related to the financial statements that enable management to identify, prevent, detect and correct potential misstatements in the financial statements and footnotes. In general, an accounting and information system should be designed to provide management with accurate and timely information to enable well-informed business decisions to be made.

We recommend the City of Bellefontaine implement additional control procedures that enable management to prevent or detect and correct potential misstatements in the basic financial statements prior to presenting them to the auditors.

<u>*Client Response:*</u> The City will work to provide a sound fiscal environment and has implemented additional policies and procedures to help with financial statement presentation.

CITY OF BELLEFONTAINE LOGAN COUNTY, OHIO

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS DECEMBER 31, 2019

Finding Number	Year Initially Occurred	Finding Summary	Status	Additional Information
2018-001	2018	<u>Significant Deficiency - Financial Statement</u> <u>Presentation – In general, an accounting and</u> information system should be designed to provide City Council with accurate and timely information to enable well-informed business decisions to be made. Multiple audit adjustments were made to the financial statements for the year ending December 31, 2018, to properly state financial statement amounts.	Not Corrected	Repeated as finding 2019- 001 as financial statement adjustments were posted to the 2019 financial report.



CITY OF BELLEFONTAINE

LOGAN 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 8/20/2020

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