



OHIO AUDITOR OF STATE  
**KEITH FABER**





**CITY OF BROADVIEW HEIGHTS  
CUYAHOGA COUNTY**

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# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

City of Broadview Heights  
Cuyahoga County  
9543 Broadview Road  
Broadview Heights, Ohio 44147

To the City Council:

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

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

**Emphasis of Matter**

As discussed in Note 3 to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The City also restated the net position of its Governmental Activities for adjustments related to capital assets as also discussed in Note 3 to the financial statements. 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 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 April 7, 2020, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber  
Auditor of State

Columbus, Ohio

April 7, 2020

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**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2018*  
(Unaudited)

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The discussion and analysis of the City of Broadview Heights's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2018. The intent of this discussion and analysis is to look at the City's 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***

Key financial highlights for 2018 are as follows:

- In total, net position decreased \$2,145,196. Net position of governmental activities decreased \$1,863,222. Net position of business-type activities decreased \$281,974.
- Total capital assets increased \$11,298,042 in 2018. Capital assets of governmental activities increased \$11,555,632 and capital assets of business-type activities decreased \$257,590. Capital outlay exceeded depreciation in 2018.
- Outstanding long-term debt decreased from \$19,151,444 to \$18,499,848 million in 2018 due to debt service payments.

***Using this Annual Financial Report***

This report is designed to allow the reader to look at the financial activities of the City of Broadview Heights as a whole and is intended to allow the reader to obtain a summary view or a more detailed view of the City's operations, as they prefer.

The Statement of Net Position and the Statement of Activities provide information from a summary perspective showing the effects of the operations for the year 2018 and how they affected the operations of the City as a whole.

***Reporting the City of Broadview Heights as a Whole***

***Statement of Net Position and the Statement of Activities***

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column. In the case of the City of Broadview Heights, the General Fund is by far the most significant fund. Business-type funds consist of the Sanitary Sewer and Sewer Capital Funds.

A question typically asked about the City's finances is "How did we do financially during 2018?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all non-fiduciary assets and deferred outflows of resources and liabilities and deferred inflows of resources* using the *accrual basis of accounting* similar to the accounting method 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.

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

In the Statement of Net Position and the Statement of Activities, the City is divided into two distinct kinds of activities:

- **Governmental Activities** – Most of the City's programs and services are reported here, including general government, security of persons and property, public health, community and economic development, leisure time activities and transportation.
- **Business-Type Activities** – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's Sanitary Sewer and Sewer Capital Fund are reported as business-type activities.

***Reporting the City of Broadview Heights's Most Significant Funds***

***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been safeguarded for specific activities or objectives. The City uses many funds to account for financial transactions. However, these fund financial statements focus on the City's most significant funds. The City's major governmental funds are the General Fund, the Fire Levy Fund, the General Bond Retirement Fund, the Park and Recreation Facilities Fund, and the Streets Capital Improvement Fund.

**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 government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance future services. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

**Proprietary Funds** – Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

**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. The accounting used for the fiduciary funds is much like that used for proprietary funds.

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*The City of Broadview Heights 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 2018 compared to 2017:

**Table 1 Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017*	2018	2017*	2018	2017*
<b>ASSETS</b>						
Current and other assets	\$ 24,373,798	\$ 33,720,559	\$ 1,228,875	\$ 1,213,168	\$ 25,602,673	\$ 34,933,727
Net Pension Asset	65,700	18,741	4,629	2,159	70,329	20,900
Capital assets, net	39,590,029	28,034,397	2,096,939	2,354,529	41,686,968	30,388,926
<b>Total Assets</b>	<b>64,029,527</b>	<b>61,773,697</b>	<b>3,330,443</b>	<b>3,569,856</b>	<b>67,359,970</b>	<b>65,343,553</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Pension	3,378,423	5,667,623	170,271	499,171	3,548,694	6,166,794
OPEB	1,374,130	78,651	21,071	4,110	1,395,201	82,761
<b>Total Deferred Outflows of Resources</b>	<b>4,752,553</b>	<b>5,746,274</b>	<b>191,342</b>	<b>503,281</b>	<b>4,943,895</b>	<b>6,249,555</b>
<b>LIABILITIES</b>						
Current and other liabilities	3,133,532	1,442,768	95,758	94,408	3,229,290	1,537,176
Long-term liabilities:						
Due within one year	2,191,454	2,121,442	40,732	37,891	2,232,186	2,159,333
Due in more than one year:						
Net Pension Liability	17,261,243	20,410,700	392,482	926,766	17,653,725	21,337,466
Net OPEB Liability	14,722,523	13,013,976	276,901	263,998	14,999,424	13,277,974
Other Amounts	18,086,765	18,826,284	77,728	107,813	18,164,493	18,934,097
<b>Total Liabilities</b>	<b>55,395,517</b>	<b>55,815,170</b>	<b>883,601</b>	<b>1,430,876</b>	<b>56,279,118</b>	<b>57,246,046</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property Taxes	6,363,478	5,421,722	-	-	6,363,478	5,421,722
Pension	2,063,180	136,077	260,399	7,427	2,323,579	143,504
OPEB	676,125	-	24,925	-	701,050	-
<b>Total Deferred Inflows of Resources</b>	<b>9,102,783</b>	<b>5,557,799</b>	<b>285,324</b>	<b>7,427</b>	<b>9,388,107</b>	<b>5,565,226</b>
<b>NET POSITION</b>						
Net Investment in						
Capital Assets	23,378,691	22,017,303	2,025,234	2,260,434	24,881,363 <sup>^</sup>	23,425,747
Restricted	2,666,894	6,614,526	-	-	2,666,894	6,614,526
Unrestricted	(21,761,805)	(22,484,827)	327,626	374,400	(20,911,617) <sup>^</sup>	(21,258,437)
<b>Total Net Position</b>	<b>\$ 4,283,780</b>	<b>\$ 6,147,002</b>	<b>\$ 2,352,860</b>	<b>\$ 2,634,834</b>	<b>\$ 6,636,640</b>	<b>\$ 8,781,836</b>

\* Restated

<sup>^</sup> The totals for governmental and business-type activities represent their respective net investment in capital assets and the total of the City reflects all capital assets and debt which includes debt for business-type assets recorded in the governmental activities. See Note 14 for more information.

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

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

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

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

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

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

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government.

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In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

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

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation had the effect of restating net position at December 31, 2017 by \$13,195,213. Additionally, the City restated capital assets by \$4,209,637 to remove waterlines infrastructure previously transferred to the City of Cleveland. In total, net position at December 31, 2017 was restated from \$26,186,686 to \$8,781,836.

At year end, capital assets represented 62 percent of total assets. Capital assets include land, intangible, buildings, improvements, furniture and fixtures, machinery and equipment, vehicles, infrastructure and construction in progress. The net investment in capital assets was \$24,881,363 at December 31, 2018, with \$23,378,691 in governmental activities and \$2,025,234 million in business-type activities. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, \$2,666,894, represents resources that are subject to external restrictions on how they may be used.

The implementation of GASB Statement No. 68 and 75 requires the reader to perform additional calculations to determine the City's total net position at December 31, 2018 without the implementation of GASB Statement No. 68 and 75. This is an important exercise, as the State Pension Systems (OPERS and OP&F) collect, hold, invest, and distribute pension to our employees, not the City of Broadview Heights. These calculations are as follows:

	Governmental Activities	Business-Type Activities	Total
Total Net Position at December 31, 2018 (with GASB 68 and 75)	\$ 4,283,780	\$ 2,352,860	\$ 6,636,640
GASB 68 and 75 Calculations:			
Add:			
Deferred Inflows related to Pension	2,063,180	260,399	2,323,579
Deferred Inflows related to OPEB	676,125	24,925	701,050
Net Pension Liability	17,261,243	392,482	17,653,725
Net OPEB Liability	14,722,523	276,901	14,999,424
Less:			
Deferred Outflows related to Pension	(3,378,423)	(170,271)	(3,548,694)
Deferred Outflows related to OPEB	(1,374,130)	(21,071)	(1,395,201)
Net Pension Asset	(65,700)	(4,629)	(70,329)
Total Net Position (without GASB 68 and 75)	<u>\$ 34,188,598</u>	<u>\$ 3,111,596</u>	<u>\$ 37,300,194</u>

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Table 2 shows the changes in net position for fiscal year 2018 and 2017.

**Table 2 Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>REVENUES</b>						
Program Revenues:						
Charges for services	\$ 2,868,347	\$ 2,976,274	\$ 1,686,378	\$ 1,731,711	\$ 4,554,725	\$ 4,707,985
Operating grants and contributions	1,273,066	1,102,894	-	-	1,273,066	1,102,894
Capital grants and contributions	1,655,523	314,802	-	-	1,655,523	314,802
<b>Total Program Revenues</b>	<b>5,796,936</b>	<b>4,393,970</b>	<b>1,686,378</b>	<b>1,731,711</b>	<b>7,483,314</b>	<b>6,125,681</b>
General Revenues:						
Property taxes	5,615,959	5,527,053	-	-	5,615,959	5,527,053
Municipal income taxes	13,369,069	12,482,992	-	-	13,369,069	12,482,992
Grants and entitlements	957,206	667,286	-	-	957,206	667,286
Investment income	283,706	181,200	9,763	4,338	293,469	185,538
All other revenues	343,659	398,743	175,417	17,628	519,076	416,371
<b>Total General Revenues</b>	<b>20,569,599</b>	<b>19,257,274</b>	<b>185,180</b>	<b>21,966</b>	<b>20,754,779</b>	<b>19,279,240</b>
<b>Total Revenues</b>	<b>26,366,535</b>	<b>23,651,244</b>	<b>1,871,558</b>	<b>1,753,677</b>	<b>28,238,093</b>	<b>25,404,921</b>
<b>EXPENSES</b>						
Program Expenses:						
Security of persons and property	10,759,769	9,468,532	-	-	10,759,769	9,468,532
Public health services	411,809	340,782	-	-	411,809	340,782
Leisure time activities	1,627,572	1,690,893	-	-	1,627,572	1,690,893
Community environment	788,116	568,198	-	-	788,116	568,198
Basic utility services	1,036,696	985,500	-	-	1,036,696	985,500
Transportation	5,343,877	3,922,038	-	-	5,343,877	3,922,038
General government	7,665,930	7,647,383	-	-	7,665,930	7,647,383
Interest and fiscal charges	595,988	639,667	-	-	595,988	639,667
Sanitary Sewer	-	-	2,153,532	1,964,378	2,153,532	1,964,378
<b>Total Expenses</b>	<b>28,229,757</b>	<b>25,262,993</b>	<b>2,153,532</b>	<b>1,964,378</b>	<b>30,383,289</b>	<b>27,227,371</b>
Increase (Decrease) in Net Position	(1,863,222)	(1,611,749)	(281,974)	(210,701)	(2,145,196)	(1,822,450)
Net Position - Beginning of Year, Restated	6,147,002	N/A	2,634,834	N/A	8,781,836	N/A
<b>Net Position - End of Year</b>	<b>\$ 4,283,780</b>	<b>\$ 6,147,002</b>	<b>\$ 2,352,860</b>	<b>\$ 2,634,834</b>	<b>\$ 6,636,640</b>	<b>\$ 8,781,836</b>

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available. Therefore, 2017 functional expenses still include OPEB expense of \$82,761 computed under GASB 45. GASB 45 required recognizing OPEB expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of \$1,142,556. Consequently, in order to compare 2018 total program expenses to 2017, the following adjustments are needed:



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	Governmental Activities	Business-Type Activities	Total
Total 2018 program expenses under GASB 75	\$ 28,229,757	\$ 2,153,532	\$ 30,383,289
OPEB expense under GASB 75	(1,120,995)	(21,561)	(1,142,556)
2018 contractually required contribution	31,802	694	32,496
Adjusted 2018 program expenses	27,140,564	2,132,665	29,273,229
Total 2017 program expenses under GASB 45	25,262,993	1,964,378	27,227,371
Increase in program expenses not related to OPEB	\$ 1,877,571	\$ 168,287	\$ 2,045,858

**Governmental Activities**

The funding for the governmental activities comes from several different sources, the most significant being the municipal income tax. Other prominent sources are property taxes, grants and entitlements, charges for services and investment interest.

The 2 percent income tax is the largest revenue source for the City. Income tax revenues are allocated based on City ordinance. The revenue and expense of collection of the income tax is allocated among the General Fund, the Safety Equipment Fund, the Service Equipment Fund, the Fire Equipment Fund, the Streets Capital Improvement Fund, and the Storm Sewer Maintenance Fund. Income taxes account for 51 percent of the total revenue of the governmental activities.

Other general revenues, including property taxes, grants and entitlements, such as local government funds, and interest, account for 27 percent of governmental activities revenue. Program revenues, which include charges for services and operating and capital grants, account for the remaining 22 percent of total revenues. The City monitors its sources of revenues very closely for fluctuations.

Capital grants increased by \$1,340,721 due to an increase in intergovernmental revenues recorded in 2018. Municipal income tax revenue increased \$886,077, or 7 percent, and property tax revenue increased \$88,906, or 2 percent.

Expenses of governmental activities increased by a net \$2,966,764 in 2018. The largest portion of this change was a \$1,421,839 increase in transportation, due to an increase in road maintenance projects in 2018. Additionally, there was a \$1,291,237 increase in security of persons and property, due to an increase in pension and OPEB expenses recorded in accordance with GASB 68 and GASB 75. Security of persons and property is the largest program function of the City, which includes the Police and Fire departments and represents approximately 38 percent of program expenses in 2018. The next largest expense was for general government, which represents approximately 27 percent of program expenses.

**Business-Type Activities**

The City's major enterprise fund is the Sanitary Sewer Fund. The revenues are generated primarily from charges for services. In 2018, charges for services of \$1,686,378 accounted for 90 percent of the business-type revenues. The total expenses were \$2,153,532 in 2018. The change in net position for the business-type activities was a decrease of \$281,974 in 2018.

Revenues increased \$117,881 in 2018, mostly due to a one-time reimbursement the City received from Cuyahoga County related to a sanitary sewer project. Expenses increased \$189,154 in 2018, mostly due to increases in contractual services.

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Management's Discussion and Analysis*  
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***The City's Funds***

**Governmental Funds**

Information about the City's governmental funds begins on page 17. These funds are accounted for using the modified accrual method of accounting. All governmental funds had revenues and other financing sources of \$27,346,275 and expenditures and other financing uses of \$39,301,075. The funds are monitored consistently with adjustments made throughout the year in budgets to accommodate yearly revenues.

The General Fund's net change in fund balance for fiscal year 2018 was an increase of \$1,212,330. Expenditures increased by \$953,783 primarily due to increases in personnel costs and equipment purchases. Revenues increased \$1,687,922 primarily due to increases in income tax revenue allocated to the General Fund. The remainder of the net change in fund balance was due to financing received from the inception of a capital lease.

The fund balance of the Fire Levy Fund decreased by \$79,034. Revenues increased by \$49,472 due to increases in property taxes and intergovernmental revenues. Expenditures increased by \$17,828, or less than 1 percent.

The fund balance of the General Bond Retirement Fund decreased by \$7,203. Revenues increased by \$37,646 due to a small increase in property taxes and special assessments, and expenditures decreased \$19,028 due a small decrease in debt service.

The fund balance of the Park and Recreation Facilities Fund decreased by \$11,948,087. Revenues in 2018 consisted solely of interest revenue on unspent bond proceeds and contributions and donations. Expenditures consisted of construction costs for park and recreation facilities improvements, and increased by \$9,782,235 due to the majority of the improvement project being completed in 2018.

The fund balance of the Streets Capital Improvement Fund decreased by \$885,102. Revenues increased by \$868,984 due to an increase in intergovernmental revenues and grants received in 2018. Expenditures increased by \$2,239,042 due to an increase in road maintenance projects in 2018.

The fund balance in the other governmental funds decreased by \$247,704. Revenues of these funds decreased by \$126,463 mostly due to a decrease in municipal income taxes allocated to these funds. Expenditures increased by \$861,283, due to increases in security of persons and property and capital outlay.

**Proprietary Funds**

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

Unrestricted net position of the Sanitary Sewer Fund at the end of the year amounted to \$273,432. The total decrease in net position for the Fund was \$302,990. Other factors concerning the finances of this Fund have already been addressed in the discussion of the business-type activities.

***General Fund Budgeting Highlights***

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



**CITY OF BROADVIEW HEIGHTS**  
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During the course of 2018, the City amended its General Fund budget. All recommendations for appropriation changes come to Council from the City Finance Director. The Finance Committee of Council reviews them, and they make their recommendation to the Council as a whole.

For the General Fund, the original budget basis revenue was \$13,166,151, which was \$1,104,524 less than the final budget basis revenue of \$14,270,675. Additionally, actual revenues on a budget basis exceeded final budgeted revenues by \$820,014. The reason for the difference was that both Income Tax and Property Tax revenue were greater than had been estimated.

Original budgeted expenditures and other financing uses were \$14,489,970, and final budgeted expenditures and other financing uses were \$16,779,360. The main contributors to this increase were an increase in leisure time activities for equipment purchases and an increase in advances out to provide resources for streets capital projects. Actual expenditures on a budget basis were \$1,006,903 less than final budgeted expenditures, mostly due to general government and security of persons and property expenditures being less than estimated.

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of year 2018, the City had \$41,686,968 invested in capital assets. A total of \$39,590,029 of this was for governmental activities and \$2,096,939 was attributable to business-type activities. Table 3 shows fiscal year 2018 balances compared with 2017.

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017*	2018	2017	2018	2017*
Land	\$ 5,423,513	\$ 4,784,549	\$ -	\$ -	\$ 5,423,513	\$ 4,784,549
Intangible	22,142	22,142	-	-	22,142	22,142
Construction in progress	1,693,443	4,000,964	-	-	1,693,443	4,000,964
<b>Total Non-Depreciable</b>	<b>7,139,098</b>	<b>8,807,655</b>	<b>-</b>	<b>-</b>	<b>7,139,098</b>	<b>8,807,655</b>
Buildings	3,318,610	3,442,528	181,465	209,887	3,500,075	3,652,415
Improvements	16,720,201	2,295,003	-	-	16,720,201	2,295,003
Machinery and equipment	1,582,657	1,233,913	239,273	239,643	1,821,930	1,473,556
Furniture and fixtures	174,723	520	-	-	174,723	520
Vehicles	1,558,193	1,778,926	7,679	9,821	1,565,872	1,788,747
Infrastructure:						
Traffic Signals	289,437	320,204	-	-	289,437	320,204
Roads	4,786,064	5,748,990	-	-	4,786,064	5,748,990
Street Signs & Guard Rails	28,628	32,206	-	-	28,628	32,206
Storm Sewers	3,992,418	4,374,452	-	-	3,992,418	4,374,452
Sanitary sewers	-	-	1,668,522	1,895,178	1,668,522	1,895,178
<b>Total Depreciable,</b>						
<b>    Net of Depreciation</b>	<b>32,450,931</b>	<b>19,226,742</b>	<b>2,096,939</b>	<b>2,354,529</b>	<b>34,547,870</b>	<b>21,581,271</b>
<b>Total Capital Assets,</b>						
<b>    Net of Depreciation</b>	<b>\$ 39,590,029</b>	<b>\$ 28,034,397</b>	<b>\$ 2,096,939</b>	<b>\$ 2,354,529</b>	<b>\$ 41,686,968</b>	<b>\$ 30,388,926</b>

\* Restated

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
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 (Unaudited)

The \$11,555,632 increase in capital assets of governmental activities was due to current year purchases exceeding depreciation, largely attributed to the completion of the parks and recreation facilities improvements project. The \$257,590 decrease in capital assets of the business-type activities was attributable to current year depreciation exceeding purchases. See Note 10 for additional information about the capital assets of the City.

**Debt**

The outstanding long-term debt for the City as of December 31, 2018 was \$18,499,848. See Note 14 for additional details. Table 4 summarizes outstanding debt.

**Table 4 Outstanding Debt, at December 31**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
General Obligation Bonds	\$ 15,138,798	\$ 16,007,175	\$ -	\$ -	\$ 15,138,798	\$ 16,007,175
Unamortized Bond Premium	14,892	27,801	-	-	14,892	27,801
Special Assessment Bonds	1,795,162	2,036,478	-	-	1,795,162	2,036,478
OPWC Loan	122,898	142,898	-	-	122,898	142,898
OWDA Loans	174,417	265,995	-	-	174,417	265,995
Capital Leases	1,181,976	577,002	71,705	94,095	1,253,681	671,097
<b>Total Outstanding Debt</b>	<b>\$ 18,428,143</b>	<b>\$ 19,057,349</b>	<b>\$ 71,705</b>	<b>\$ 94,095</b>	<b>\$ 18,499,848</b>	<b>\$ 19,151,444</b>

***Contacting the City's Finance Department***

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, David Pfaff, 9543 Broadview Road, Bldg 7, Broadview Heights, Ohio 44147, telephone 440-746-3109.

# CITY OF BROADVIEW HEIGHTS

Cuyahoga County, Ohio

Statement of Net Position

December 31, 2018

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 10,454,846	\$ 408,100	\$ 10,862,946
Materials and Supplies Inventory	154,957	-	154,957
Accounts Receivable	660,898	595,166	1,256,064
Accrued Interest Receivable	8,854	823	9,677
Intergovernmental Receivable	1,037,991	-	1,037,991
Prepaid Items	176,576	6,459	183,035
Municipal Income Taxes Receivable	3,648,636	-	3,648,636
Property Taxes Receivable	6,625,642	-	6,625,642
Special Assessments Receivable	1,605,398	218,327	1,823,725
Net Pension Asset	65,700	4,629	70,329
Nondepreciable Capital Assets	7,139,098	-	7,139,098
Depreciable Capital Assets	32,450,931	2,096,939	34,547,870
<b>Total Assets</b>	<b>64,029,527</b>	<b>3,330,443</b>	<b>67,359,970</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	3,378,423	170,271	3,548,694
OPEB	1,374,130	21,071	1,395,201
<b>Total Deferred Outflows of Resources</b>	<b>4,752,553</b>	<b>191,342</b>	<b>4,943,895</b>
<b>LIABILITIES</b>			
Accounts Payable	531,823	75,537	607,360
Contracts Payable	1,148,166	-	1,148,166
Accrued Wages and Benefits	376,977	13,236	390,213
Intergovernmental Payable	227,755	5,998	233,753
Matured Compensated Absences Payable	70,243	-	70,243
Accrued Interest Payable	64,751	987	65,738
Retainage Payable	713,817	-	713,817
Long-term Liabilities:			
Due Within One Year	2,191,454	40,732	2,232,186
Due In More Than One year:			
Net Pension Liability (See Note 11)	17,261,243	392,482	17,653,725
Net OPEB Liability (See Note 12)	14,722,523	276,901	14,999,424
Other Amounts Due in More Than One Year	18,086,765	77,728	18,164,493
<b>Total Liabilities</b>	<b>55,395,517</b>	<b>883,601</b>	<b>56,279,118</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property Taxes	6,363,478	-	6,363,478
Pension	2,063,180	260,399	2,323,579
OPEB	676,125	24,925	701,050
<b>Total Deferred Inflows of Resources</b>	<b>9,102,783</b>	<b>285,324</b>	<b>9,388,107</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	23,378,691	2,025,234	24,881,363
Restricted for:			
Debt Service	1,703,476	-	1,703,476
Capital Projects	55,679	-	55,679
Police and Fire	403,469	-	403,469
Streets and Highways	493,288	-	493,288
Other Purposes	10,982	-	10,982
Unrestricted	(21,761,805)	327,626	(20,911,617)
<b>Total Net Position</b>	<b>\$ 4,283,780</b>	<b>\$ 2,352,860</b>	<b>\$ 6,636,640</b>

Debt related to certain business-type assets is included in the governmental activities. This debt has not been included in the net investment in capital assets for the governmental or business-type activities but has been reflected in the entity-wide total. See Note 14.

See accompanying notes to the basic financial statements.

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County  
*Statement of Activities*  
For the Year Ended December 31, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
<b>Governmental activities:</b>							
Security of Persons and Property	\$ 10,759,769	\$ 453,954	\$ 20,436	\$ -	\$ (10,285,379)	\$ -	\$ (10,285,379)
Public Health Services	411,809	-	-	-	(411,809)	-	(411,809)
Leisure Time Activities	1,627,572	1,005,671	-	25,000	(596,901)	-	(596,901)
Community Environment	788,116	3,000	-	-	(785,116)	-	(785,116)
Basic Utility Services	1,036,696	-	-	-	(1,036,696)	-	(1,036,696)
Transportation	5,343,877	-	1,059,871	1,558,344	(2,725,662)	-	(2,725,662)
General Government	7,665,930	1,405,722	192,759	-	(6,067,449)	-	(6,067,449)
Interest and Fiscal Charges	595,988	-	-	72,179	(523,809)	-	(523,809)
<b>Total Governmental activities</b>	<b>28,229,757</b>	<b>2,868,347</b>	<b>1,273,066</b>	<b>1,655,523</b>	<b>(22,432,821)</b>	<b>-</b>	<b>(22,432,821)</b>
<b>Business-type activities:</b>							
Sanitary Sewer	2,153,532	1,686,378	-	-	-	(467,154)	(467,154)
<b>Total Business-type activities</b>	<b>2,153,532</b>	<b>1,686,378</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(467,154)</b>	<b>(467,154)</b>
<b>Total Primary Government</b>	<b>\$ 30,383,289</b>	<b>\$ 4,554,725</b>	<b>\$ 1,273,066</b>	<b>\$ 1,655,523</b>	<b>(22,432,821)</b>	<b>(467,154)</b>	<b>(22,899,975)</b>
<b>General Revenues:</b>							
Property Taxes levied for:							
General Purposes					1,616,731	-	1,616,731
Debt Service					955,891	-	955,891
Police and Fire					3,043,337	-	3,043,337
Municipal Income Taxes levied for:							
General Purposes					11,805,126	-	11,805,126
Capital Outlay					1,496,916	-	1,496,916
Other Purposes					67,027	-	67,027
Grants & Entitlements not restricted to specific programs					957,206	-	957,206
Investment Income					283,706	9,763	293,469
All Other Revenues					343,659	175,417	519,076
<b>Total General Revenues</b>					<b>20,569,599</b>	<b>185,180</b>	<b>20,754,779</b>
Change in Net Position					(1,863,222)	(281,974)	(2,145,196)
Net Position - Beginning of Year, Restated (See Note 3)					6,147,002	2,634,834	8,781,836
<b>Net Position - End of Year</b>					<b>\$ 4,283,780</b>	<b>\$ 2,352,860</b>	<b>\$ 6,636,640</b>

See accompanying notes to the basic financial statements.

**CITY OF BROADVIEW HEIGHTS**

Cuyahoga County, Ohio

*Balance Sheet*

*Governmental Funds*

*December 31, 2018*

	<u>General Fund</u>	<u>Fire Levy</u>	<u>General Bond Retirement</u>	<u>Park and Recreational Facilities</u>	<u>Streets Capital Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>							
Equity in Pooled Cash and Cash Equivalents	\$ 4,783,613	\$ 299,330	\$ 605,395	\$ 1,803,231	\$ 1,118,008	\$ 1,845,269	\$ 10,454,846
Materials and Supplies Inventory	154,957	-	-	-	-	-	154,957
Accrued Interest Receivable	4,863	1,127	-	-	1,315	1,549	8,854
Accounts Receivable	491,774	70,658	-	-	-	98,466	660,898
Interfund Receivable	500,000	-	-	-	-	112,000	612,000
Intergovernmental Receivable	256,508	164,033	8,064	-	131,997	477,389	1,037,991
Prepaid Items	132,920	35,599	-	-	-	8,057	176,576
Municipal Income Taxes Receivable	3,648,636	-	-	-	-	-	3,648,636
Property Taxes Receivable	1,786,629	2,712,151	1,011,755	-	-	1,115,107	6,625,642
Special Assessments Receivable	15,431	-	1,589,967	-	-	-	1,605,398
<b>Total Assets</b>	<u>\$ 11,775,331</u>	<u>\$ 3,282,898</u>	<u>\$ 3,215,181</u>	<u>\$ 1,803,231</u>	<u>\$ 1,251,320</u>	<u>\$ 3,657,837</u>	<u>\$ 24,985,798</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts Payable	\$ 457,931	\$ 10,602	\$ -	\$ -	\$ -	\$ 63,290	\$ 531,823
Accrued Wages and Benefits	255,329	89,429	-	-	-	32,219	376,977
Contracts Payable	-	-	-	1,019,098	129,068	-	1,148,166
Intergovernmental Payable	145,066	71,273	-	-	-	11,416	227,755
Matured Compensated Absences Payable	70,243	-	-	-	-	-	70,243
Retainage Payable	-	-	-	546,114	138,887	28,816	713,817
Interfund Payable	-	-	-	-	500,000	112,000	612,000
<b>Total Liabilities</b>	<u>928,569</u>	<u>171,304</u>	<u>-</u>	<u>1,565,212</u>	<u>767,955</u>	<u>247,741</u>	<u>3,680,781</u>
<b>Deferred Inflows of Resources:</b>							
Property Taxes	1,714,026	2,601,628	974,388	-	-	1,073,436	6,363,478
Unavailable Revenue - Delinquent Property Taxes	72,603	110,523	37,367	-	-	41,671	262,164
Unavailable Revenue - Income Taxes	2,029,654	-	-	-	-	-	2,029,654
Unavailable Revenue - Special Assessments	15,431	-	1,589,967	-	-	-	1,605,398
Unavailable Revenue - Other	167,310	187,542	8,064	-	46,638	335,710	745,264
<b>Total Deferred Inflows of Resources</b>	<u>3,999,024</u>	<u>2,899,693</u>	<u>2,609,786</u>	<u>-</u>	<u>46,638</u>	<u>1,450,817</u>	<u>11,005,958</u>
<b>Fund Balances:</b>							
Nonspendable	294,240	35,599	-	-	-	8,057	337,896
Restricted	-	176,302	605,395	238,019	-	490,667	1,510,383
Committed	-	-	-	-	436,727	1,571,108	2,007,835
Assigned	424,523	-	-	-	-	-	424,523
Unassigned (Deficits)	6,128,975	-	-	-	-	(110,553)	6,018,422
<b>Total Fund Balances</b>	<u>6,847,738</u>	<u>211,901</u>	<u>605,395</u>	<u>238,019</u>	<u>436,727</u>	<u>1,959,279</u>	<u>10,299,059</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 11,775,331</u>	<u>\$ 3,282,898</u>	<u>\$ 3,215,181</u>	<u>\$ 1,803,231</u>	<u>\$ 1,251,320</u>	<u>\$ 3,657,837</u>	<u>\$ 24,985,798</u>

See accompanying notes to the basic financial statements.

**CITY OF BROADVIEW HEIGHTS**

Cuyahoga County, Ohio

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

**Total Governmental Funds Balance** \$ 10,299,059

*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 39,590,029

Other long-term assets are not available to pay for current-period expenditures and, therefore, are unavailable revenue in the funds:

Delinquent property taxes	262,164	
Municipal income taxes	2,029,654	
Special assessments	1,605,398	
Intergovernmental	709,453	
Charges for services	<u>35,811</u>	
<b>Total</b>		<b>4,642,480</b>

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in Governmental funds, an interest expenditure is reported when due. (64,751)

The net pension liability and net OPEB liability are not due and payable in the current period, and the net pension asset is not available for spending in the current period; therefore the asset, liability, and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	3,378,423	
Deferred Inflows - Pension	(2,063,180)	
Net Pension Asset	65,700	
Net Pension Liability	(17,261,243)	
Deferred Outflows - OPEB	1,374,130	
Deferred Inflows - OPEB	(676,125)	
Net OPEB Liability	<u>(14,722,523)</u>	
<b>Total</b>		<b>(29,904,818)</b>

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:

General obligation bonds	(15,138,798)	
Special assessment bonds	(1,795,162)	
Unamortized bond premiums	(14,892)	
Loans Payable	(297,315)	
Capital leases	(1,181,976)	
Compensated absences	<u>(1,850,076)</u>	
<b>Total</b>		<b>(20,278,219)</b>

**Net Position of Governmental Activities** \$ 4,283,780

See accompanying notes to the basic financial statements.

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Statement of Revenues, Expenditures, and Changes in Fund Balances*  
*Governmental Funds*  
For the Year Ended December 31, 2018

	General Fund	Fire Levy	General Bond Retirement	Park and Recreational Facilities	Streets Capital Improvement	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Property Taxes	\$ 1,630,714	\$ 2,436,409	\$ 918,524	\$ -	\$ -	\$ 615,029	\$ 5,600,676
Municipal Income Taxes	11,004,608	-	-	-	1,221,797	597,903	12,824,308
Intergovernmental	605,758	328,065	16,127	-	1,643,703	1,121,476	3,715,129
Interest	92,489	17,439	-	126,659	26,779	20,340	283,706
Fees, Licenses, and Permits	391,419	-	-	-	-	75,305	466,724
Fines and Forfeitures	337,298	-	-	-	-	60,053	397,351
Rentals	190,512	-	-	-	-	23,168	213,680
Charges for Services	620,295	372,306	-	-	-	1,134,903	2,127,504
Contributions and Donations	7,261	-	-	25,000	-	-	32,261
Special Assessments	30,248	-	357,162	-	-	-	387,410
All Other Revenues	256,388	-	-	-	-	83,621	340,009
<b>Total Revenues</b>	<b>15,166,990</b>	<b>3,154,219</b>	<b>1,291,813</b>	<b>151,659</b>	<b>2,892,279</b>	<b>3,731,798</b>	<b>26,388,758</b>
<b>EXPENDITURES</b>							
Security of Persons and Property	5,063,093	3,224,342	-	-	-	686,735	8,974,170
Public Health Services	411,809	-	-	-	-	-	411,809
Leisure Time Activities	401,036	-	-	-	-	896,965	1,298,001
Community Environment	647,859	-	-	-	-	5,560	653,419
Basic Utility Services	1,036,696	-	-	-	-	-	1,036,696
Transportation	511,701	-	-	-	-	1,060,829	1,572,530
General Government	5,132,110	-	3,543	-	-	352,087	5,487,740
Capital Outlay	821,879	8,911	-	12,099,746	3,757,381	998,796	17,686,713
Debt Service:	-	-	-	-	-	-	-
Principal Retirement	406,852	-	810,265	-	20,000	262,981	1,500,098
Interest and Fiscal Charges	34,968	-	558,924	-	-	12,291	606,183
<b>Total Expenditures</b>	<b>14,468,003</b>	<b>3,233,253</b>	<b>1,372,732</b>	<b>12,099,746</b>	<b>3,777,381</b>	<b>4,276,244</b>	<b>39,227,359</b>
Excess of Revenues (Under) Expenditures	698,987	(79,034)	(80,919)	(11,948,087)	(885,102)	(544,446)	(12,838,601)
<b>OTHER FINANCING SOURCES (USES)</b>							
Inception of Capital Lease	513,343	-	-	-	-	370,458	883,801
Transfers In	-	-	73,716	-	-	-	73,716
Transfers Out	-	-	-	-	-	(73,716)	(73,716)
<b>Total Other Financing Sources (Uses)</b>	<b>513,343</b>	<b>-</b>	<b>73,716</b>	<b>-</b>	<b>-</b>	<b>296,742</b>	<b>883,801</b>
Net Change in Fund Balances	1,212,330	(79,034)	(7,203)	(11,948,087)	(885,102)	(247,704)	(11,954,800)
Fund Balances - Beginning of Year	5,635,408	290,935	612,598	12,186,106	1,321,829	2,206,983	22,253,859
<b>Fund Balances - End of Year</b>	<b>\$ 6,847,738</b>	<b>\$ 211,901</b>	<b>\$ 605,395</b>	<b>\$ 238,019</b>	<b>\$ 436,727</b>	<b>\$ 1,959,279</b>	<b>\$ 10,299,059</b>

See accompanying notes to the basic financial statements.

**CITY OF BROADVIEW HEIGHTS**

Cuyahoga County, Ohio

*Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2018*

**Net Change in Fund Balances-Total Governmental Funds** \$ (11,954,800)

*Amounts reported for Governmental Activities in the Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	13,919,700	
Depreciation	(2,316,391)	
Total		11,603,309

In the Statement of Activities, only the loss on the disposal of capital assets is reported, whereas, in the Governmental Funds, the proceeds from the disposals increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets. (47,677)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Delinquent property taxes	15,283	
Municipal income taxes	544,761	
Special assessments	(277,804)	
Intergovernmental	45,877	
Charges for services	(349,884)	
Total		(21,767)

Other financing sources in the Governmental funds increase long-term liabilities in the Statement of Net Position. These sources were attributed to the issuance of capital leases. (883,801)

Repayment of various debt principal are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 1,500,098

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.

Pension		1,619,658
OPEB		31,802

Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability and net pension asset are reported as pension/OPEB expense in the statement of activities.

Pension		(2,639,545)
OPEB		(1,120,995)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental funds.

Compensated absences	40,301	
Accrued interest on bonds	(2,714)	
Amortization of bond premiums	12,909	
Total		50,496

**Change in Net Position of Governmental Activities** \$ (1,863,222)

See accompanying notes to the basic financial statements.



**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Statement of Revenues, Expenditures, and Changes*  
*in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual*  
**General Fund**  
*For the Year Ended December 31, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$ 1,422,747	\$ 1,542,103	\$ 1,630,714	\$ 88,611
Municipal Income Taxes	9,542,515	10,343,048	10,937,376	594,328
Intergovernmental	480,531	520,844	550,772	29,928
Interest	61,396	66,546	70,370	3,824
Fees, Licenses and Permits	341,501	370,150	391,419	21,269
Fines and Forfeitures	295,309	320,083	338,475	18,392
Rentals	165,977	179,901	190,238	10,337
Charges for Services	537,608	582,709	616,192	33,483
Contributions and Donations	6,335	6,866	7,261	395
Special Assessments	26,390	28,604	30,248	1,644
All Other Revenues	285,842	309,821	327,624	17,803
<b>Total Revenues</b>	<u>13,166,151</u>	<u>14,270,675</u>	<u>15,090,689</u>	<u>820,014</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	5,091,668	5,513,311	5,285,281	228,030
Public Health Services	393,178	685,471	540,591	144,880
Leisure Time Activities	624,329	1,146,779	1,072,937	73,842
Community Environment	689,891	702,944	656,385	46,559
Basic Utility Services	1,071,149	1,096,049	1,058,257	37,792
Transportation	582,264	740,264	669,928	70,336
General Government	5,611,959	5,969,010	5,563,548	405,462
Debt Service				
Principal Retirement	391,007	391,007	391,006	1
Interest and Fiscal Charges	34,525	34,525	34,524	1
<b>Total Expenditures</b>	<u>14,489,970</u>	<u>16,279,360</u>	<u>15,272,457</u>	<u>1,006,903</u>
Excess of Revenues Over (Under) Expenditures	(1,323,819)	(2,008,685)	(181,768)	1,826,917
<b>Other Financing Sources (Uses)</b>				
Inception of Capital Lease	-	-	513,343	513,343
Advances Out	-	(500,000)	(500,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(500,000)</u>	<u>13,343</u>	<u>513,343</u>
Net Change in Fund Balance	(1,323,819)	(2,508,685)	(168,425)	2,340,260
Fund Balance Beginning of Year	3,859,987	3,859,987	3,859,987	-
Prior Year Encumbrances	237,282	237,282	237,282	-
Fund Balance End of Year	<u>\$ 2,773,450</u>	<u>\$ 1,588,584</u>	<u>\$ 3,928,844</u>	<u>\$ 2,340,260</u>

See accompanying notes to the basic financial statements.

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Statement of Revenues, Expenditures, and Changes*  
*in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual*  
**Fire Levy Fund**  
*For the Year Ended December 31, 2018*

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$ 2,317,297	\$ 2,355,567	\$ 2,436,409	\$ 80,842
Intergovernmental	312,026	317,180	328,065	10,885
Interest	16,237	16,506	17,072	566
Charges for Services	348,049	353,797	365,939	12,142
All Other Revenues	64,118	65,177	67,414	2,237
<b>Total Revenues</b>	3,057,727	3,108,227	3,214,899	106,672
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	3,453,542	3,485,542	3,322,083	163,459
<b>Total Expenditures</b>	3,453,542	3,485,542	3,322,083	163,459
Net Change in Fund Balance	(395,815)	(377,315)	(107,184)	270,131
Fund Balance Beginning of Year	349,541	349,541	349,541	-
Prior Year Encumbrances	40,572	40,572	40,572	-
Fund Balance End of Year	\$ (5,702)	\$ 12,798	\$ 282,929	\$ 270,131

See accompanying notes to the basic financial statements.

# CITY OF BROADVIEW HEIGHTS

Cuyahoga County, Ohio  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2018*

	Business-Type Activities		
	Sanitary Sewer Fund	Other Enterprise Fund	Total
<b>ASSETS</b>			
<b>Current Assets:</b>			
Equity in Pooled Cash and Cash Equivalents	\$ 353,906	\$ 54,194	\$ 408,100
Accrued Interest Receivable	823	-	823
Accounts Receivable	595,166	-	595,166
Prepaid Items	6,459	-	6,459
Special Assessments Receivable	218,327	-	218,327
<i>Total Current Assets</i>	1,174,681	54,194	1,228,875
<b>Noncurrent Assets:</b>			
Net Pension Asset	4,629	-	4,629
Capital Assets:			
Depreciable Assets, Net of Depreciation	2,096,939	-	2,096,939
<i>Total Noncurrent Assets</i>	2,101,568	-	2,101,568
<b>Total Assets</b>	3,276,249	54,194	3,330,443
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pension	170,271	-	170,271
OPEB	21,071	-	21,071
<b>Total Deferred Outflows of Resources</b>	191,342	-	191,342
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts Payable	75,537	-	75,537
Accrued Wages and Benefits	13,236	-	13,236
Intergovernmental Payable	5,998	-	5,998
Accrued Interest Payable	987	-	987
Compensated Absences Payable	17,603	-	17,603
Capital Leases Payable	23,129	-	23,129
<i>Total Current Liabilities</i>	136,490	-	136,490
<b>Noncurrent Liabilities:</b>			
Compensated Absences Payable	29,152	-	29,152
Capital Leases Payable	48,576	-	48,576
Net Pension Liability	392,482	-	392,482
Net OPEB Liability	276,901	-	276,901
<i>Total Noncurrent Liabilities</i>	747,111	-	747,111
<b>Total Liabilities</b>	883,601	-	883,601
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension	260,399	-	260,399
OPEB	24,925	-	24,925
<b>Total Deferred Inflows of Resources</b>	285,324	-	285,324
<b>NET POSITION</b>			
Investment in Capital Assets	2,025,234	-	2,025,234
Unrestricted	273,432	54,194	327,626
<b>Total Net Position</b>	\$ 2,298,666	\$ 54,194	\$ 2,352,860

See accompanying notes to the basic financial statements.

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Statement of Revenues, Expenses, and Changes in Fund Net Position*  
*Proprietary Funds*  
For the Year Ended December 31, 2018

	<b>Business-Type Activities</b>		
	<b>Sanitary Sewer Fund</b>	<b>Other Enterprise Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Charges for Services	\$ 1,686,378	\$ -	\$ 1,686,378
Miscellaneous	154,401	21,016	175,417
<b>Total Operating Revenues</b>	<b>1,840,779</b>	<b>21,016</b>	<b>1,861,795</b>
<b>OPERATING EXPENSES</b>			
Personal Services	361,266	-	361,266
Fringe Benefits	270,862	-	270,862
Materials and Supplies	46,947	-	46,947
Contractual Services	1,142,555	-	1,142,555
Depreciation	294,435	-	294,435
Other	34,667	-	34,667
<b>Total Operating Expense</b>	<b>2,150,732</b>	<b>-</b>	<b>2,150,732</b>
Operating Income (Loss)	(309,953)	21,016	(288,937)
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest	9,763	-	9,763
Interest and Fiscal Charges	(2,800)	-	(2,800)
<b>Total Nonoperating Revenues (Expenses)</b>	<b>6,963</b>	<b>-</b>	<b>6,963</b>
Change in Net Position	(302,990)	21,016	(281,974)
Net Position - Beginning of Year	2,601,656	33,178	2,634,834
<b>Net Position - End of Year</b>	<b>\$ 2,298,666</b>	<b>\$ 54,194</b>	<b>\$ 2,352,860</b>

See accompanying notes to the basic financial statements.

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2018

	<b>Business-Type Activities</b>		
	<b>Sanitary Sewer Fund</b>	<b>Other Enterprise Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Charges for Services	\$ 1,707,358	\$ -	\$ 1,707,358
Cash Received from Other Operating Receipts	154,401	-	154,401
Cash Received from Tap In Fees	-	21,016	21,016
Cash Payments to Employees for Services	(367,607)	-	(367,607)
Cash Payments for Employee Benefits	(211,336)	-	(211,336)
Cash Payments for Goods and Services	(1,186,357)	-	(1,186,357)
Other Cash Payments	(34,667)	-	(34,667)
Net Cash Provided by Operating Activities	<u>61,792</u>	<u>21,016</u>	<u>82,808</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal Paid on Debt	(22,390)	-	(22,390)
Interest Paid on Debt	(3,108)	-	(3,108)
Payments for Capital Acquisitions	(36,845)	-	(36,845)
Net Cash Used in Capital and Related Financing Activities	<u>(62,343)</u>	<u>-</u>	<u>(62,343)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest on Investments	9,518	-	9,518
Net Cash Provided by Investing Activities	<u>9,518</u>	<u>-</u>	<u>9,518</u>
Net Increase in Cash and Cash Equivalents	8,967	21,016	29,983
Cash and Cash Equivalents - Beginning of Year	344,939	33,178	378,117
<b>Cash and Cash Equivalents - End of Year</b>	<u>\$ 353,906</u>	<u>\$ 54,194</u>	<u>\$ 408,100</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>			
Operating Income (Loss)	\$ (309,953)	\$ 21,016	\$ (288,937)
Adjustments:			
Depreciation	294,435	-	294,435
(Increase) Decrease in Assets and Deferred Outflows of Resources:			
Accounts Receivable	(10,794)	-	(10,794)
Special Assessments Receivable	31,774	-	31,774
Prepaid Items	(6,459)	-	(6,459)
Net Pension Asset	(2,470)	-	(2,470)
Deferred Outflows of Resources - Pension	328,900	-	328,900
Deferred Outflows of Resources - OPEB	(16,961)	-	(16,961)
Increase (Decrease) in Liabilities and Deferred Inflows of Resources:			
Accounts Payable	3,145	-	3,145
Accrued Wages and Benefits	(1,027)	-	(1,027)
Intergovernmental Payable	(460)	-	(460)
Compensated Absences Payable	(4,854)	-	(4,854)
Net Pension Liability	(534,284)	-	(534,284)
Net OPEB Liability	12,903	-	12,903
Deferred Inflows of Resources - Pension	252,972	-	252,972
Deferred Inflows of Resources - OPEB	24,925	-	24,925
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 61,792</u>	<u>\$ 21,016</u>	<u>\$ 82,808</u>

See accompanying notes to the basic financial statements.

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Statement of Fiduciary Assets and Liabilities*  
*December 31, 2018*

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	<b>Agency Funds</b>
<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 957,042
Cash and Cash Equivalents:	
in Segregated Accounts	25,877
Total Assets	<u>\$ 982,919</u>
<b>Liabilities</b>	
Undistributed Monies	\$ 982,919
Total Liabilities	<u>\$ 982,919</u>

See accompanying notes to the basic financial statements.

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*

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**NOTE 1: DESCRIPTION OF THE CITY AND REPORTING ENTITY**

The City of Broadview Heights (the City) is a municipal corporation incorporated under the laws of the State of Ohio which operates under its own Charter. The current Charter, which provides for a Mayor-Council form of government, was adopted November 7, 1961. The Mayor and Council are elected. The City provides police and fire protection, emergency medical, parks and recreation, planning, zoning, street maintenance and repair, refuse collection and general administrative services to the citizens of the City.

**Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that financial statements are not misleading. A primary government consists of all funds, departments, boards and agencies that are not legally separate from the City. The primary government of the City includes City departments and agencies that provide the following services: police protection, fire fighting and prevention, street maintenance and repairs, building inspection, parks and recreation, water, sewer and sanitation. Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board; and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organizations. Component units may also include organizations for which the City authorizes the issuance of debt or the levying of taxes, or determines the budget. The City has no component units.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

The most significant of the City's accounting policies are described below.

**Basis of Presentation**

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

**Government-wide Financial Statements**

The Statement of Net Position and the Statement of Activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Government-wide Financial Statements** (Continued)

The Statement of Net Position presents the financial condition of the governmental and business-type activities of the City at year-end. The Statement of Activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for the business-type activities of the City. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

**Fund Financial Statements**

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

**Fund Accounting**

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

**Governmental Funds**

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

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



**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Governmental Funds** (Continued)

*Fire Levy Fund* – The Fire Levy Fund accounts for the operating expenses of a full time Fire Department, and is restricted exclusively for that purpose. The revenue is primarily from property taxes through charter millage.

*General Bond Retirement Fund* – The General Bond Retirement Fund is used to account for the accumulation of resources for the payment of interest and principal on long term general obligation debt.

*Park and Recreation Facilities Fund* – The Park and Recreation Facilities Fund accounts for capital expenses associated with the improvement of existing and construction of additional park and recreation facilities in the City.

*Streets Capital Improvement Fund* – The Streets Capital Improvement Fund accounts for capital expenses associated with the reconstruction, maintenance, and repair of roads and infrastructure associated with City roads.

The other governmental funds of the City account for grants and other resources to which the City is bound to observe constraints imposed upon the use of the resources.

**Proprietary Funds**

Proprietary fund reporting focuses on changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service. The City does not have any internal service funds.

*Enterprise Funds* – Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the City’s major enterprise fund:

*Sanitary Sewer Fund* – The Sanitary Sewer Fund is an enterprise fund used to account for operations of the sanitary sewer system on a continuing basis and is financed through user charges.

The other enterprise fund is used to account for Sanitary Sewer capital improvements.

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fiduciary Funds**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City has no trust funds. The City's Agency Fund is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The City's Agency Fund accounts for deposits and retainers held for contractors and developers, along with deposits held for the City's Mayor's Court.

***Measurement Focus***

**Government-wide Financial Statements**

The government-wide financial statements are prepared using the economic resources measurement focus. All non-fiduciary assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the City are included on the statement of net position.

**Fund Financial Statements**

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

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

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

*Measurement Focus* (Continued)

**Basis of Accounting**

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

**Revenues - Exchange and Non-exchange Transactions**

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 9). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized. Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, interest, grants, fees and rentals.

**Deferred Outflows/Inflows of Resources**

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB are explained in Note 11 and 12.

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Deferred Outflows/Inflows of Resources** (Continued)

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, unavailable revenue, pension and OPEB. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance year 2019 operations. These amounts have been recorded as deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City, unavailable revenue includes delinquent property taxes, municipal income taxes, special assessments, intergovernmental, and charges for services. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position (See Notes 11 and 12).

**Expenses/Expenditures**

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

**Budgetary Data**

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

Budgetary modifications may only be made by ordinance of the City Council at the legal level of control.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Director of Finance. The amounts reported as the original budgeted amounts on the budgetary statements reflect the amounts on the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts on the budgetary statements reflect the amounts on the final amended certificate of estimated resources issued during 2018.

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Budgetary Data** (Continued)

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

**Lapsing of Appropriations**

At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the succeeding fiscal year and is not re-appropriated.

**Cash and Investments**

To improve cash management, cash received by the City is pooled. Monies for all funds, except funds requiring that interest proceeds follow the invested principal, are maintained in this pool. Individual fund integrity is maintained through the City's records.

The City has segregated a portion of cash balances, reported as "Cash and Cash Equivalents in segregated accounts" which are used for the payment of Agency Fund activities.

During 2018, investments were limited to STAR Ohio, US Treasury Bills, US Treasury Notes, Federal Home Loan Banks Bonds, Government Money Market Funds, and Negotiable CDs.

The City's investment in State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The city measures their investment in STAR Ohio as the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2018, there were no limitation or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

**CITY OF BROADVIEW HEIGHTS**

Cuyahoga County, Ohio

*Notes to the Basic Financial Statements*

*For the Year Ended December 31, 2018*

*(Continued)*

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Cash and Investments** (Continued)

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the General Fund during 2018 amounted to \$92,489 which includes \$37,321 assigned to other City funds.

Investments of the cash management pool and investments with a maturity of three months or less at the time they are purchased by the City are presented on the financial statements as “cash”. Investments with an original maturity of more than three months are reported as “Equity in Pooled Cash and Cash Equivalents”.

**Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide Statement of Net Position and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of \$7,500.

The City’s infrastructure consists of street signs and guardrails, storm and sanitary sewers, roads, traffic signals and water lines. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

All reported capital assets are depreciated except for land, intangible and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets.

Useful lives for infrastructure were estimated based on the City Engineer’s interpretation of historical records of necessary improvements and replacement. All reported capital assets except land, intangible assets, and construction in progress are required to be depreciated using a depreciation method (specifically the straight line method) over the following useful lives:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	10 to 50 years	10 to 50 years
Improvements	10 to 50 years	N/A
Furniture and Fixtures	10 to 20 years	N/A
Machinery and Equipment	10 to 15 years	10 to 15 years
Vehicles	6 to 15 years	6 to 15 years
Infrastructure	10 to 50 years	10 to 50 years

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Interfund Balances**

On fund financial statements, long-term interfund loans are classified as “advances to/from other funds” on the balance sheet and are equally offset by nonspendable fund balance, which indicates that they do not constitute available expendable resources. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**Compensated Absences**

The City reports compensated absences in accordance with the provisions of GASB No. 16, "Accounting for Compensated Absences." Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the vesting method. The liability is based on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is the amount that is normally expected to be paid using expendable available financial resources. These amounts are recorded in the account "compensated absences payable" in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**Accrued Liabilities and Long-Term Obligations**

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

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



**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Pensions/Other Postemployment Benefits (OPEB)**

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

**Fund Balance**

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 classifications are as follows:

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

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

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted 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. The City Council, by resolution, authorized the Finance Director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.



**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Fund Balance** (Continued)

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

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

**Net Position**

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

The government-wide statement of net position reports \$2,666,894 of the restricted component of net position, none of which is restricted by enabling legislation. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted components of net position are available.

**Operating Revenues and Expenses**

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for sewer services. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenue and expenses not meeting these definitions are classified as nonoperating.

**Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction.

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
(Continued)

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**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Interfund Activity**

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in business-type activities. Interfund transfers are eliminated when reported in the entity wide financial statements for both the governmental and business-type activities. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund are recorded as expenditures/expenses in the reimbursing fund, and as a reduction of expenditures/expenses in the fund that is reimbursed.

**Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during 2018.

**Estimates**

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

**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION**

During the year, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 85, Omnibus 2017, Statement No. 86, *Certain Debt Extinguishment Issues*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and related guidance from (GASB) Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

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

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
 (Continued)

**NOTE 3: CHANGE IN ACCOUNTING PRINCIPLES AND RESTATEMENT OF NET POSITION** (Continued)

GASB 86 improves consistency in accounting and financial reporting for in-substance defeasance of debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. These changes were incorporated in the City's fiscal year 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 75 established standards for measuring and recognizing Postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement, and a restatement of capital assets to remove waterlines infrastructure that was previously transferred to the City of Cleveland and no longer owned by the City, had the following effect on net position as reported December 31, 2018:

	Governmental Activities	Business-Type Activities	Total
Net Position at December 31, 2017	\$ 23,291,964	\$ 2,894,722	\$ 26,186,686
Adjustments:			
Net OPEB Liability	(13,013,976)	(263,998)	(13,277,974)
Deferred Outflow - Payments Subsequent to Measurement Date	78,651	4,110	82,761
Capital Assets Restatement	(4,209,637)	-	(4,209,637)
Restated Net Position at January 1, 2018	\$ 6,147,002	\$ 2,634,834	\$ 8,781,836

**NOTE 4: ACCOUNTABILITY**

**Accountability**

Fund balances at December 31, 2018 included the following individual fund deficits:

	Fund Deficit
Nonmajor Governmental Funds:	
Circle Building Fund	\$ 110,553

The deficit in the Circle Building Fund resulted from adjustments for accrued liabilities. The General Fund is liable for any deficits in these funds and will provide transfers when cash is required, not when accruals occur.

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018  
(Continued)

**NOTE 5: FUND BALANCE**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in governmental funds.

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows:

Fund Balances	General	Fire Levy	General Bond Retirement	Park and Recreation Facilities Capital Improvement	Streets Capital Improvement	Other Governmental Funds	Total
<i>Nonspendable</i>							
Unclaimed Monies	\$ 6,363	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,363
Prepaid Items	132,920	35,599	-	-	-	8,057	176,576
Inventory	154,957	-	-	-	-	-	154,957
Interfund Balances	-	-	-	-	-	-	-
<b>Total Nonspendable</b>	<b>294,240</b>	<b>35,599</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,057</b>	<b>337,896</b>
<i>Restricted for</i>							
Fire Services	-	176,302	-	-	-	-	176,302
Bond Retirement	-	-	605,395	-	-	-	605,395
Park and Recreation Facilities Improvement	-	-	-	238,019	-	-	238,019
Court Operations and Capital Outlay	-	-	-	-	-	55,679	55,679
Road Repair and Improvement	-	-	-	-	-	235,407	235,407
Law Enforcement	-	-	-	-	-	199,106	199,106
Other Purposes	-	-	-	-	-	475	475
<b>Total Restricted</b>	<b>-</b>	<b>176,302</b>	<b>605,395</b>	<b>238,019</b>	<b>-</b>	<b>490,667</b>	<b>1,510,383</b>
<i>Committed to</i>							
Fire and Safety Equipment	-	-	-	-	-	341,187	341,187
Street Improvement	-	-	-	-	436,727	-	436,727
Storm Sewer Improvement	-	-	-	-	-	398,699	398,699
Recreation	-	-	-	-	-	353,905	353,905
City Facility Improvement	-	-	-	-	-	26,632	26,632
Service Department Equipment	-	-	-	-	-	388,607	388,607
Tree Planting and Maintenance	-	-	-	-	-	61,478	61,478
Other Purposes	-	-	-	-	-	600	600
<b>Total Committed</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>436,727</b>	<b>1,571,108</b>	<b>2,007,835</b>
<i>Assigned to</i>							
<i>Purchases on Order:</i>							
Security of Persons and Property	208,228	-	-	-	-	-	208,228
Public Health Services	4,389	-	-	-	-	-	4,389
Leisure Time Activities	7,548	-	-	-	-	-	7,548
Community Environment	4,592	-	-	-	-	-	4,592
Basic Utility Services	12,018	-	-	-	-	-	12,018
Transportation	3,387	-	-	-	-	-	3,387
General Government	176,318	-	-	-	-	-	176,318
Capital Outlay	8,043	-	-	-	-	-	8,043
<b>Total Assigned</b>	<b>424,523</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>424,523</b>
<i>Unassigned (Deficit)</i>	6,128,975	-	-	-	-	(110,553)	6,018,422
<b>Total Fund Balances</b>	<b>\$ 6,847,738</b>	<b>\$ 211,901</b>	<b>\$ 605,395</b>	<b>\$ 238,019</b>	<b>\$ 436,727</b>	<b>\$ 1,959,279</b>	<b>\$ 10,299,059</b>

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
(Continued)

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**NOTE 6: DEPOSITS AND INVESTMENTS**

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

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

Inactive deposits are public deposits that Council has identified as not required for use within the current 5-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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, by surety company bonds with the City Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreements must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio, and local governments and municipalities;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus program);

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
(Continued)

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**NOTE 6: DEPOSITS AND INVESTMENTS** (Continued)

7. Certain banker's acceptances and commercial paper notes in an amount not to exceed 25 percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Effective September 27, 1996, investments in stripped principal or interest obligations are no longer allowed to be purchased. Reverse repurchase agreements and derivatives are also prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity.

**Deposits:** The carrying value of the City's deposits totaled \$2,826,499 and the bank balances of the deposits totaled \$3,290,660. Of the bank balance, \$1,691,412 was covered by depository insurance, \$1,599,248 was uninsured, and \$684,985 was uninsured and uncollateralized. The City's financial institutions were approved for a reduced collateral rate of 50 percent through the Ohio Pooled Collateral System, resulting in the uninsured and uncollateralized balance.

**Cash on Hand:** At year end, the City had \$1,026 in undeposited cash on hand which is included on the statement of net position and balance sheet of the City as part of equity in pooled cash and cash equivalents.

**Custodial Credit Risk:** Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. Protection of the City's cash and deposits is provided by the Federal Deposit Insurance Corporation (FDIC), as well as qualified securities pledged by the institution holding the assets. Ohio law requires that deposits either be insured or 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 deposits being secured or a rate set by the Treasurer of State. The City's financial institution had enrolled in OPCS as of December 31, 2018.

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
 For the Year Ended December 31, 2018  
 (Continued)

**NOTE 6: DEPOSITS AND INVESTMENTS** (Continued)

***Investments***

STAR Ohio is measured at net asset value per share while all other investments are measured at fair value. Fair value is determined by quoted market prices and acceptable other pricing methodologies. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The following table identifies the City's recurring fair value measurement as of December 31, 2018. The Money Market Mutual Fund is measured at fair value and is valued using quoted market prices (Level 1 inputs). The City's remaining investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data. (Level 2 inputs).

As of December 31, 2018, the City had the following investments:

Investment	Rating by Standard & Poor's	Level Input	Measurement Value	Investment Maturities (in years) <1	Percentage of Total Investments
Negotiable CD	N/A	2	\$ 1,238,408	\$ 1,238,408	13.73%
US Treasury Bill	A-1+	2	994,340	994,340	11.03%
US Treasury Note	AA+	2	991,775	991,775	11.00%
FHLB	AA+	2	989,660	989,660	10.97%
Fidelity Gov't Money Market Fund	AAm	1	626,299	626,299	6.94%
STAR Ohio	AAm	N/A	4,177,858	4,177,858	46.33%
			<u>\$ 9,018,340</u>	<u>\$ 9,018,340</u>	<u>100.00%</u>

***Interest Rate Risk:*** The Ohio Revised Code generally limits security purchases to those that mature within five years of the settlement date. The City's policy indicates that the investments must mature within five years, unless matched to a specific obligation or debt of the City.

STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio to maintain the highest rating provided by at least one nationally recognized standard rating service.

***Credit Risk:*** The City's investments credit ratings are summarized above. The City's investments in negotiable certificates of deposit were fully insured by federal depository insurance.

***Concentration of Credit Risk:*** The City places no limit on the amount the City may invest in any one issuer. The investment percentages are listed above.



**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
 For the Year Ended December 31, 2018  
 (Continued)

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**NOTE 7: BUDGETARY BASIS OF ACCOUNTING**

While the City is reporting financial position, results of operations and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The statement of revenues, expenditures and changes in fund balances - budget (non-GAAP basis) and actual presented for the General Fund and major Special Revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. The Unclaimed Funds Fund is included in the General Fund (GAAP basis), but has a separate legally adopted budget (budget basis).
4. Encumbrances are treated as expenditures (budget) rather than as a component of fund balance (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the General Fund and the Fire Levy Fund.

<b>Net Change in Fund Balance</b>		
	<u>General</u>	<u>Fire Levy</u>
GAAP Basis	\$ 1,212,330	\$ (79,034)
Revenue Accruals	(157,552)	(6,734)
Expenditure Accruals	136,338	(5,015)
Excess of revenues and other financing sources and over (under) expenditures and other financing uses:		
Unclaimed Funds	(5,568)	-
Advances Out	(500,000)	-
Encumbrances (Budget Basis) outstanding at year end	<u>(853,973)</u>	<u>(16,401)</u>
Budget Basis	<u>\$ (168,425)</u>	<u>\$ (107,184)</u>



**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
 For the Year Ended December 31, 2018  
 (Continued)

**NOTE 8: TRANSFERS AND INTERFUND BALANCES**

**Interfund Transfers**

Transfers are used to move resources from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; to segregate money for anticipated capital projects; to provide additional resources for current operations or debt service; and to return money to the fund from which it was originally provided once a project is completed.

Interfund transfers for the year ended December 31, 2018, consisted of the following:

	Transfers In	Transfers Out
<i>Governmental Activities:</i>		
General Bond Retirement	\$ 73,716	\$ -
Nonmajor Governmental Funds	-	73,716
Total Governmental Activities	\$ 73,716	\$ 73,716

The transfers from other governmental funds to the General Bond Retirement Fund were to pay for the debt issues for storm sewer, Broadview Center renovations, and various street improvement projects.

**Interfund Balances**

Interfund receivables and payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, or (3) payments between funds are made.

Interfund balances as of December 31, 2018, consisted of the following:

	Receivables	Payables
<i>Governmental Activities:</i>		
General Fund	\$ 500,000	\$ -
Streets Capital Improvement	-	500,000
Nonmajor Governmental Funds	112,000	112,000
Total Governmental Activities	\$ 612,000	\$ 612,000

As of December 31, 2018, interfund receivables and payables to and from other funds are made up of a loan made to the Circle Building Fund for \$112,000 that the Safety Equipment Fund expects to collect in the subsequent year, and a \$500,000 advance to the Streets Capital Improvement Fund from the General Fund. Interfund payables and receivables were eliminated on the Statement of Net Position since they were within governmental activities.

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
 (Continued)

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**NOTE 9: RECEIVABLES**

Receivables at December 31, 2018, consisted of taxes, special assessments, loans, accounts (billings for user charged services), and intergovernmental receivables. All of these receivables are considered fully collectible.

No allowances for doubtful accounts have been recorded because uncollectible amounts are expected to be insignificant.

**Property Taxes**

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

Real property taxes (other than public utility property) are levied after October 1 on the assessed value as of prior January 1, the lien date. Assessed values are established by State law at 35 percent of appraised market value, and reappraisal of all property is required every six years with a triennial update. The last reappraisal was completed for tax year 2015 affecting collections beginning 2016.

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

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

The full tax rate for all City operations for the year ended December 31, 2018, was \$11.82 per \$1,000 of assessed valuation.

The assessed values of real property upon which 2018 property tax receipts were based as follows:

<u>Property Category</u>	<u>Assessed Value</u>	<u>Percent</u>
Real Property	\$648,072,040	98.31 %
Public Utilities - Personal	11,107,430	1.69
Total	<u>\$659,179,470</u>	<u>100.00 %</u>

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
 (Continued)

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**NOTE 9: RECEIVABLES** (Continued)

The County Fiscal Officer collects property taxes on behalf of all taxing districts within the County, including the City of Broadview Heights. The County Fiscal Officer periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which became measurable as of December 31, 2018, and for which there is an enforceable legal claim. In the governmental funds, the entire receivable has been offset by a deferred inflow of resources since the current taxes were not levied to finance 2018 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while the remainder of the receivable is deferred.

**Income Taxes**

The City levies a municipal income tax of 2 percent on all salaries, wages, commissions and other compensation, and net profits earned within the City as well as income of residents earned outside of the City. In the latter case, the City allows a credit of 75 percent of the tax paid to another municipality to a maximum of the total amount assessed. The Regional Income Tax Agency (RITA) is the City's agent for administering income tax collecting and accounting.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. By City ordinance, income tax proceeds, after income tax department expenditures for 2018, are credited to the following funds: 82.5 percent to the General Fund, 11.75 percent to the Streets Capital Improvement Fund, and 5.75 percent to other governmental funds.

**Intergovernmental Receivables**

A summary of intergovernmental receivables follows:

Revenue Description	Amount
Local Government	\$ 94,965
Homestead and Rollback	292,931
Gasoline and Auto Registration tax	450,141
Permissive tax	11,662
Grants	128,930
Miscellaneous	59,362
Total	\$ 1,037,991

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018  
(Continued)

**NOTE 10: CAPITAL ASSETS**

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

	Restated Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
<b>Governmental Activities</b>				
<i>Capital Assets Not Being Depreciated</i>				
Land	\$ 4,784,549	\$ 638,964	\$ -	\$ 5,423,513
Intangible	22,142	-	-	22,142
Construction in Progress	4,000,964	12,520,538	(14,828,059)	1,693,443
<i>Total Capital Assets Not Being Depreciated</i>	<u>8,807,655</u>	<u>13,159,502</u>	<u>(14,828,059)</u>	<u>7,139,098</u>
<i>Capital Assets Being Depreciated</i>				
Buildings	6,046,516	-	-	6,046,516
Improvements	4,747,313	14,726,992	(49,022)	19,425,283
Furniture and Fixtures	34,642	176,828	-	211,470
Machinery and Equipment	3,923,477	610,007	(172,381)	4,361,103
Vehicles	4,465,558	74,430	(267,557)	4,272,431
Infrastructure:				
Traffic Signals	773,842	-	-	773,842
Roads	25,634,705	-	-	25,634,705
Street Signs & Guard Rails	62,494	-	-	62,494
Storm Sewers	13,841,823	-	-	13,841,823
<i>Total Capital Assets Being Depreciated</i>	<u>59,530,370</u>	<u>15,588,257</u>	<u>(488,960)</u>	<u>74,629,667</u>
Less: Accumulated Depreciation				
Buildings	(2,603,988)	(123,918)	-	(2,727,906)
Improvements	(2,452,310)	(282,924)	30,152	(2,705,082)
Furniture and Fixtures	(34,122)	(2,625)	-	(36,747)
Machinery and Equipment	(2,689,564)	(261,263)	172,381	(2,778,446)
Vehicles	(2,686,632)	(266,356)	238,750	(2,714,238)
Infrastructure:				
Traffic Signals	(453,638)	(30,767)	-	(484,405)
Roads	(19,885,715)	(962,926)	-	(20,848,641)
Street Signs & Guard Rails	(30,288)	(3,578)	-	(33,866)
Storm Sewers	(9,467,371)	(382,034)	-	(9,849,405)
<i>Total Accumulated Depreciation</i>	<u>(40,303,628)</u>	<u>(2,316,391) *</u>	<u>441,283</u>	<u>(42,178,736)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>19,226,742</u>	<u>13,271,866</u>	<u>(47,677)</u>	<u>32,450,931</u>
Total Governmental Activities				
Capital Asset, Net	<u>\$ 28,034,397</u>	<u>\$ 26,431,368</u>	<u>\$ (14,875,736)</u>	<u>\$ 39,590,029</u>

\* Depreciation expense was charged to governmental functions as follows:

Security of Persons and Property	\$ 265,435
Leisure Time Activities	159,228
Transportation	1,000,622
General Government	832,215
Community Environment	58,891
<b>Total Depreciation Expense</b>	<u>\$ 2,316,391</u>

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018  
(Continued)

**NOTE 10: CAPITAL ASSETS** (Continued)

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
<b>Business-Type Activities</b>				
<i>Capital Assets Being Depreciated</i>				
Buildings	\$ 1,136,841	\$ -	\$ -	\$ 1,136,841
Machinery and Equipment	963,076	36,845	-	999,921
Vehicles	254,681	-	-	254,681
Infrastructure:				
Sanitary Sewers	16,042,963	-	-	16,042,963
<i>Total Capital Assets Being Depreciated</i>	<u>18,397,561</u>	<u>36,845</u>	<u>-</u>	<u>18,434,406</u>
Less: Accumulated Depreciation				
Buildings	(926,954)	(28,422)	-	(955,376)
Machinery and Equipment	(723,433)	(37,215)	-	(760,648)
Vehicles	(244,860)	(2,142)	-	(247,002)
Infrastructure:				
Sanitary Sewers	(14,147,785)	(226,656)	-	(14,374,441)
Total Accumulated Depreciation	<u>(16,043,032)</u>	<u>(294,435)</u>	<u>-</u>	<u>(16,337,467)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>2,354,529</u>	<u>(257,590)</u>	<u>-</u>	<u>2,096,939</u>
Total Business-Type Activities				
Capital Asset, Net	<u>\$ 2,354,529</u>	<u>\$ (257,590)</u>	<u>\$ -</u>	<u>\$ 2,096,939</u>

**NOTE 11: DEFINED BENEFIT PENSION PLANS**

**Net Pension Liability**

The net pension liability/(asset) reported on the statement of net position represents a 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 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 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.

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

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
(Continued)

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**NOTE 11: DEFINED BENEFIT PENSION PLANS** (Continued)

**Net Pension Liability** (Continued)

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

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

**Plan Description – Ohio Public Employees Retirement System (OPERS)**

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. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group.

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
 For the Year Ended December 31, 2018  
 (Continued)

**NOTE 11: DEFINED BENEFIT PENSION PLANS** (Continued)

**Plan Description – Ohio Public Employees Retirement System (OPERS)** (Continued)

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):

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

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

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.



**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
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 (Continued)

**NOTE 11: DEFINED BENEFIT PENSION PLANS** (Continued)

**Plan Description – Ohio Public Employees Retirement System (OPERS)** (Continued)

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$755,343 for 2018. Of this amount, \$95,938 is reported as an intergovernmental payable.

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

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

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



**CITY OF BROADVIEW HEIGHTS**  
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 (Continued)

**NOTE 11: DEFINED BENEFIT PENSION PLANS** (Continued)

**Plan Description – Ohio Police & Fire Pension Fund (OP&F)** (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 OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members 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
<b>2018 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2018 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
 Employee	 12.25 %	 12.25 %

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
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 (Continued)

**NOTE 11: DEFINED BENEFIT PENSION PLANS** (Continued)

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

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OP&F was \$914,032 for 2017. Of this amount, \$125,971 is reported as an intergovernmental payable.

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

The net pension liability for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OP&F’s total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	OP&F Police	OP&F Fire	Total
Proportion of the Net Pension Liability/Asset Prior Measurement Date	0.039508%	0.037551%	0.110824%	0.084409%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.038009%	0.051662%	0.108403%	0.082081%	
Change in Proportionate Share	<u>-0.001499%</u>	<u>0.014111%</u>	<u>-0.002421%</u>	<u>-0.002328%</u>	
Proportionate Share of the Net Pension Liability/(Asset)	\$ 5,962,875	\$ (70,329)	\$ 6,653,179	\$ 5,037,671	\$ 17,583,396
Pension Expense	\$ 1,293,032	\$ 10,302	\$ 799,925	\$ 631,121	\$ 2,734,380

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
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**NOTE 11: DEFINED BENEFIT PENSION PLANS** (Continued)

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

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

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	OP&F Police	OP&F Fire	Total
<b>Deferred Outflows of Resources</b>					
Changes of assumptions	\$ 712,600	\$ 6,146	\$ 289,914	\$ 219,518	\$ 1,228,178
Differences between expected and actual experience	6,090	-	100,966	76,451	183,507
Changes in proportion and differences between City contributions and proportionate share of contributions City contributions subsequent to the measurement date	85,943	1,183	147,914	232,594	467,634
	<u>734,338</u>	<u>21,005</u>	<u>496,307</u>	<u>417,725</u>	<u>1,669,375</u>
Total Deferred Outflows of Resources	<u>\$ 1,538,971</u>	<u>\$ 28,334</u>	<u>\$ 1,035,101</u>	<u>\$ 946,288</u>	<u>\$ 3,548,694</u>
<b>Deferred Inflows of Resources</b>					
Net difference between projected and actual earnings on pension plan investments	\$ 1,280,148	\$ 11,099	\$ 230,147	\$ 174,267	\$ 1,695,661
Differences between expected and actual experience	117,510	20,952	12,036	9,113	159,611
Changes in proportion and differences between City contributions and proportionate share of contributions	177,531	9,794	146,392	134,590	468,307
Total Deferred Inflows of Resources	<u>\$ 1,575,189</u>	<u>\$ 41,845</u>	<u>\$ 388,575</u>	<u>\$ 317,970</u>	<u>\$ 2,323,579</u>

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
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 For the Year Ended December 31, 2018  
 (Continued)

**NOTE 11: DEFINED BENEFIT PENSION PLANS** (Continued)

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

\$1,669,375 reported as deferred outflows of resources related to pension resulting from City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	OPERS	OPERS	OP&F Police	OP&F	Total
	Traditional Pension Plan	Combined Pension Plan		Fire	
2019	\$ 515,041	\$ (4,580)	\$ 173,904	\$ 157,107	\$ 841,472
2020	(195,856)	(4,882)	113,396	111,290	23,948
2021	(563,710)	(7,370)	(124,984)	(69,206)	(765,270)
2022	(526,031)	(7,107)	(76,406)	(33,558)	(643,102)
2023	-	(3,210)	52,563	37,363	86,716
Thereafter	-	(7,367)	11,746	7,597	11,976
Total	<u>\$ (770,556)</u>	<u>\$ (34,516)</u>	<u>\$ 150,219</u>	<u>\$ 210,593</u>	<u>\$ (444,260)</u>

**Actuarial Assumptions - OPERS**

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

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

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
 (Continued)

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**NOTE 11: DEFINED BENEFIT PENSION PLANS** (Continued)

**Actuarial Assumptions – OPERS** (Continued)

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

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15% simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

The total pension asset in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 8.25 percent including wage inflation Pre 1/7/2013 retirees; 3 percent, simple Post 1/7/2013 retirees; 3 percent, simple through 2018, then 2.15 percent simple
Investment Rate of Return	7.5 percent
Actuarial Cost Method	Individual Entry Age

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

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

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

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
 For the Year Ended December 31, 2018  
 (Continued)

**NOTE 11: DEFINED BENEFIT PENSION PLANS** (Continued)

**Actuarial Assumptions – OPERS** (Continued)

OPERS manages investments in three investment portfolios: the Defined Benefits portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money weighted rate of return expressing investment performance, net of investments expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other investments	18.00	5.26
Total	<u>100.00 %</u>	<u>5.66 %</u>

**Discount Rate** – The discount rate used to measure the total pension liability was 7.5 percent, post-experience study results. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF BROADVIEW HEIGHTS**  
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*Notes to the Basic Financial Statements*  
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 (Continued)

**NOTE 11: DEFINED BENEFIT PENSION PLANS** (Continued)

**Actuarial Assumptions – OPERS** (Continued)

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

City's proportionate share of the net pension liability/(asset)	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Traditional Pension Plan	\$ 10,588,547	\$ 5,962,875	\$ 2,106,459
Combined Plan	\$ (38,230)	\$ (70,329)	\$ (92,475)

***Changes Between Measurement Date and Report Date*** – In October 2018, the OPERS Board adopted certain assumption changes which will impact their valuation prepared as of January 1, 2018. The most significant change is a reduction in the assumed actuarial rate of return from 7.50 percent to 7.20 percent. Although the exact amount of these changes is not known, it has the potential to impact the City’s net pension liability.

**Actuarial Assumptions – OP&F**

OP&F’s total pension liability as of December 31, 2017 is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2017, are presented below:

Valuation Date	January 1, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Increases	3.25 percent
Inflation Assumptions	2.75 percent
Cost of Living Adjustments	2.20 percent and 3.00 percent Simple

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
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(Continued)

**NOTE 11: DEFINED BENEFIT PENSION PLANS** (Continued)

**Actuarial Assumptions – OP&F** (Continued)

Mortality rates for active members were based on the RP2014 Total employee and Healthy Annuitant Mortality Tables rolled back to 2006, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent. For disabled retirees, the mortality rates were based on the RP2014 Disabled Mortality Tables rolled back to 2006, and projected with the Conduent Modified 2016 Improvement Scale.

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

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

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017 are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 year Expected Real Rate of Return **</u>	<u>30 year Expected Real Rate of Return **</u>
Cash and Cash Equivalents	- %		
Domestic Equity	16.00	4.22 %	4.36 %
Non-US Equity	16.00	4.41	5.59
Core Fixed Income *	23.00	1.57	2.71
U.S. Inflation Linked Bonds *	17.00	0.98	2.52
High Yield	7.00	2.94	4.71
Real Estate	12.00	5.58	6.34
Private Markets	8.00	6.67	8.08
Master Limited Partnerships	8.00	7.50	79.93
Private Credit	5.00	6.93	7.26
Real Assets	8.00	6.88	7.24
Total	<u>120.00 %</u>		

Note: Assumptions are geometric

\* levered 2x

\*\* numbers are net of expected inflation

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



**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
 For the Year Ended December 31, 2018  
 (Continued)

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**NOTE 11: DEFINED BENEFIT PENSION PLANS** (Continued)

**Actuarial Assumptions – OP&F** (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% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 16,206,584	\$ 11,690,850	\$ 8,007,856

**NOTE 12: DEFINED BENEFIT OPEB PLANS**

**Net OPEB Liability**

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

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

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

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
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(Continued)

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**NOTE 12: DEFINED BENEFIT OPEB PLANS** (Continued)

**Net OPEB Liability** (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 is included in intergovernmental payable on both the accrual and modified accrual bases of accounting.

**Plan Description – Ohio Public Employees Retirement System (OPERS)**

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

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

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

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

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

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
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(Continued)

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**NOTE 12: DEFINED BENEFIT OPEB PLANS** (Continued)

**Plan Description – Ohio Public Employees Retirement System (OPERS)** (Continued)

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$10,547 for 2018.

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

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.

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
(Continued)

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**NOTE 12: DEFINED BENEFIT OPEB PLANS** (Continued)

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

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

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

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2018, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

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

The City's contractually required contribution to OP&F was \$21,949 for 2018. Of this amount, \$2,903 is reported as an intergovernmental payable.

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

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
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**NOTE 12: DEFINED BENEFIT OPEB PLANS** (Continued)

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.039710%	0.195230%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.038740%</u>	<u>0.190484%</u>	
Change in Proportionate Share	<u>-0.000970%</u>	<u>-0.004746%</u>	
Proportionate Share of the Net OPEB			
Liability	\$ 4,206,879	\$ 10,792,545	\$ 14,999,424
OPEB Expense	\$ 327,573	\$ 814,983	\$ 1,142,556

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

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 3,277	\$ -	\$ 3,277
Changes of assumptions	306,305	1,053,123	1,359,428
City contributions subsequent to the measurement date	<u>10,547</u>	<u>21,949</u>	<u>32,496</u>
Total Deferred Outflows of Resources	<u>\$ 320,129</u>	<u>\$ 1,075,072</u>	<u>\$ 1,395,201</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ -	\$ 54,433	\$ 54,433
Net difference between projected and actual earnings on OPEB plan investments	313,384	71,042	384,426
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>65,299</u>	<u>196,892</u>	<u>262,191</u>
Total Deferred Inflows of Resources	<u>\$ 378,683</u>	<u>\$ 322,367</u>	<u>\$ 701,050</u>

\$32,496 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
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 (Continued)

**NOTE 12: DEFINED BENEFIT OPEB PLANS** (Continued)

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

	OPERS	OP&F	Total
Year Ending December 31:			
2019	\$ 38,447	\$ 99,462	\$ 137,909
2020	38,447	99,462	137,909
2021	(67,649)	99,462	31,813
2022	(78,346)	99,460	21,114
2023	-	117,222	117,222
Thereafter	-	215,688	215,688
Total	\$ (69,101)	\$ 730,756	\$ 661,655

**Actuarial Assumptions - OPERS**

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior Measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age



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(Continued)

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**NOTE 12: DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions - OPERS** (Continued)

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

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

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

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

**CITY OF BROADVIEW HEIGHTS**  
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*Notes to the Basic Financial Statements*  
 For the Year Ended December 31, 2018  
 (Continued)

**NOTE 12: DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions - OPERS** (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	<u>100.00 %</u>	<u>4.98 %</u>

**Discount Rate** – A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** – The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.85 percent) or one-percentage-point higher (4.85 percent) than the current rate:

	<u>1% Decrease (2.85%)</u>	<u>Current Discount Rate (3.85%)</u>	<u>1% Increase (4.85%)</u>
City's proportionate share of the net OPEB liability	\$ 5,589,020	\$ 4,206,879	\$ 3,088,740

**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.



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*Notes to the Basic Financial Statements*  
 For the Year Ended December 31, 2018  
 (Continued)

**NOTE 12: DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions - OPERS** (Continued)

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$ 4,025,086	\$ 4,206,879	\$ 4,394,666

***Changes Between Measurement Date and Report Date*** – In October 2018, the OPERS Board adopted certain assumption changes which will impact their valuation prepared as of January 1, 2018. The most significant change is a reduction in the assumed actuarial rate of return from 6.50 percent to 6.00 percent. Although the exact amount of these changes is not known, it has the potential to impact the City's net OPEB liability.

**Actuarial Assumptions – OP&F**

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

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

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

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018  
(Continued)

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**NOTE 12: DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions – OP&F** (Continued)

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

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single discount rate:	
Current measurement date	3.24 percent
Prior measurement date	3.79 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increased based on the lesser of the increase in CPI and 3 percent

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

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

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

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

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

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
 For the Year Ended December 31, 2018  
 (Continued)

**NOTE 12: DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions – OP&F** (Continued)

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, 2017, are summarized below:

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

Note: Assumptions are geometric.

\* levered 2x

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

**Discount Rate** – The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2017 and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments until 2025.

**CITY OF BROADVIEW HEIGHTS**  
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*Notes to the Basic Financial Statements*  
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 (Continued)

**NOTE 12: DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions – OP&F** (Continued)

The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

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

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	\$ 13,490,811	\$ 10,792,545	\$ 8,716,347

***Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate*** – Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

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

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

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	\$ 8,383,843	\$ 10,792,545	\$ 14,038,660

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
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**NOTE 12: DEFINED BENEFIT OPEB PLANS** (Continued)

**Actuarial Assumptions – OP&F** (Continued)

*Changes between Measurement Date and Report Date* – In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City’s NOL is not known.

**NOTE 13: COMPENSATED ABSENCES**

The criteria for determining vacation and sick leave components are derived from negotiated contracts, City ordinances and State laws. Employees earn one to six weeks of vacation per year, depending upon length of service. One year of vacation eligibility may be carried over to the following year.

Employees may bank up to annual eligibility plus earned vacation time toward retirement, payable at retirement or termination. Approval of any cash payment is within the sole discretion of the City of Broadview Heights.

Employees earn sick leave at the rate of 10 hours per month of service (Fire Department earns 13 hours of sick leave per month of service). Sick leave accumulation is unlimited. Upon retirement or death, employees can be paid the following:

<u>Department</u>	<u>Maximum</u>
Service Department	1/3 of 140 days (373 hours)
Corrections	1/3 of 120 days (320 hours)
Dispatch:	
Hired prior to 1/1/88	1/3 of 160 days (427 hours)
Hired after 1/1/88	1/3 of 120 days (320 hours)
Patrol:	
Hired prior to 1/1/88	1/3 of 160 days (427 hours)
Hired after 1/1/88	1/3 of 120 days (320 hours)
Sergeant:	
Hired prior to 1/1/88	1/3 of 160 days (427 hours)
Hired after 1/1/88	1/3 of 120 days (320 hours)
Fire Department	1/3 of 150 days (400 hours)
Level 1 and 2 hired prior to 1/1/96	1/3 of 160 days (427 hours)
Level 1 and 2 hired after to 1/1/96	1/3 of 120 days (320 hours)
Level 3 & 4	1/3 of 120 days (320 hours)

**CITY OF BROADVIEW HEIGHTS**  
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 (Continued)

**NOTE 14: LONG-TERM OBLIGATIONS**

**General Obligation Bonds**

Outstanding general obligation bonds consist of utility system and government building construction issues. General obligation bonds have been issued for governmental activities.

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. General obligation bonds currently outstanding are as follows:

Purpose	Maturity Date	Interest Rates	Original Amount
Governmental Activities			
2003 Street Improvement	2023	4.58%	\$ 96,000
2004 Building Improvement	2024	3.00% - 5.00%	300,000
2006 Street Improvement	2026	3.75% - 5.00%	1,029,649
2006 Demolition Project	2026	3.75% - 5.00%	621,476
2012 Various Improvement Refunding	2019	1.30% - 2.00%	1,490,000
2014 Street Improvement	2024	2.00% - 2.50%	700,000
2014 Telecommunications Project	2019	2.00%	245,000
2016 Park and Recreation Facilities Improvement	2040	2.00% - 5.00%	15,000,000
Total			<u>\$ 19,482,125</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	General Obligation Bonds		
	Governmental Activities		
	Principal	Interest	Total
2019	\$ 886,958	\$ 476,673	\$ 1,363,631
2020	651,960	443,980	1,095,940
2021	665,541	414,153	1,079,694
2022	685,322	393,248	1,078,570
2023	695,322	371,718	1,067,040
2024-2028	3,083,695	1,569,863	4,653,558
2029-2033	3,130,000	1,156,805	4,286,805
2034-2038	3,680,000	644,744	4,324,744
2039-2040	1,660,000	84,544	1,744,544
	<u>\$ 15,138,798</u>	<u>\$ 5,555,728</u>	<u>\$ 20,694,526</u>

**CITY OF BROADVIEW HEIGHTS**  
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 (Continued)

**NOTE 14: LONG-TERM OBLIGATIONS** (Continued)

**General Obligation Bonds** (Continued)

In February 2012, the City issued \$1,820,000 refunded general obligation bonds. The proceeds of the bonds were used to refund \$1,490,999 of the City's outstanding municipal complex improvement bonds and \$329,502 of the sewer improvement special assessment bonds, Series 1999. The bonds were issued for an 8-year period with final maturity at December 1, 2019. At the date of the refunding, \$1,856,682 (including premium and after underwriting fees) was deposited in an irrevocable trust to provide for all future payments on the refunded bonds. As of December 31, 2018, \$270,001 of these bonds are considered defeased.

**Special Assessment Bonds**

Outstanding special assessment bonds consist of street and utility improvements which are payable from the proceeds of tax assessments against individual property owners. Special assessment bonds currently outstanding are as follows:

Purpose	Maturity Date	Interest Rates	Original Amount
Governmental Activities			
2001 Sewer Improvement	2021	6.10%	\$ 211,000
2003 Street Improvement	2023	4.20%	200,000
2003 Street Improvement	2023	4.20%	800,000
2003 Sewer Improvement	2023	4.58%	304,000
2004 Street Improvement	2024	3.00% - 5.00%	505,000
2006 Sewer Improvement	2026	3.75% - 5.00%	582,448
2006 Sewer Improvement	2026	3.75% - 5.00%	71,427
2012 Sewer Improvement Refunding	2019	1.30% - 2.00%	330,000
2014 Sewer Improvement	2034	2.00% - 3.50%	930,000
Total			<u>\$ 3,933,875</u>

Annual debt service requirements to maturity for special assessment bonds are as follows:

Year Ending December 31,	Special Assessment Bonds		
	Governmental Activities		
	Principal	Interest	Total
2019	\$ 243,645	\$ 66,761	\$ 310,406
2020	204,610	58,269	262,879
2021	206,216	50,063	256,279
2022	204,678	41,856	246,534
2023	209,678	33,752	243,430
2024-2028	386,335	91,837	478,172
2029-2033	280,000	40,106	320,106
2034	60,000	2,100	62,100
	<u>\$ 1,795,162</u>	<u>\$ 384,744</u>	<u>\$ 2,179,906</u>

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
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 (Continued)

**NOTE 14: LONG-TERM OBLIGATIONS** (Continued)

**OWDA Loans**

The City entered into various loan agreements with the Ohio Water Development Authority for the purpose of improving and expanding sanitary sewers. These loans are payable from the proceeds of tax assessments against individual property owners.

OWDA loans currently outstanding are as follows:

Purpose	Maturity Date	Interest Rates	Original Amount
Governmental Activities			
1997 Sanitary Sewer Project	2019	4.12%	\$ 607,188
1999 Sanitary Sewer Project	2021	4.02%	719,567
Total			<u>\$ 1,326,755</u>

Annual debt service requirements to maturity for OWDA loans are as follows:

Year Ending December 31,	OWDA Loans		
	Governmental Activities		
	Principal	Interest	Total
2019	\$ 95,340	\$ 4,524	\$ 99,864
2020	52,190	1,985	54,175
2021	26,887	403	27,290
	<u>\$ 174,417</u>	<u>\$ 6,912</u>	<u>\$ 181,329</u>

**OPWC Loans**

In 2008, the City obtained a loan with the Ohio Public Works Commission (OPWC) for road improvements in the amount of \$200,000 at 0 percent interest to be repaid over 10 years with payments beginning in 2009.

The Ohio Public Works Commission (OPWC) approved a loan to the City of North Royalton to finance the Sprague Road Resurfacing Project. OPWC has committed up to \$464,600 at a zero percent interest rate for twenty years. The City, City of North Royalton, and City of Parma have an agreement to share the debt service requirements of the OPWC loan. The City of North Royalton will pay 100 percent of the debt service requirements; the City will reimburse the City of North Royalton 27 percent of the annual debt service requirement, and the City of Parma will reimburse the City of North Royalton 50 percent of the annual debt service requirement.



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 Cuyahoga County, Ohio  
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 (Continued)

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**NOTE 14: LONG-TERM OBLIGATIONS** (Continued)

**OPWC Loans** (Continued)

Annual debt service requirements to maturity for OPWC loans are as follows:

Year Ending December 31,	OPWC Loans	
	Governmental Activities	
	Principal	
2019	\$	19,408
2020		6,272
2021		6,272
2022		6,272
2023		6,272
2024-2028		31,361
2029-2033		31,361
2034-2036		15,680
	\$	122,898

**Other**

Compensated absences will be paid from the fund from which the person is paid. This is generally from the General Fund, the Fire Levy Fund, the Street Maintenance Fund, the Repair Fund, or the Recreation Fund. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the General Fund, the Fire Levy Fund, the Recreation Fund, the Police Pension Fund, and the Sanitary Sewer Fund. See Note 11 and 12 for additional information related to the net pension liability and net OPEB liability. The capitalized leases will be paid from the General Fund, the Safety Department Equipment Fund, the Fire Department Equipment Fund, and the Storm Center Fund. See Note 15 for further information regarding Capitalized Leases.

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**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018  
(Continued)

**NOTE 14: LONG-TERM OBLIGATIONS** (Continued)

**Changes in Long Term Liabilities**

Long term liability activity for the year ended December 31, 2018 was as follows:

	Restated Balance 1/1/2018	Additions	Reductions	Balance 12/31/2018	Due Within One Year
Governmental Activities:					
<i>General Obligation Bonds</i>					
Sewer Improvements (2003) 4.58 % through 2023	\$ 38,400	\$ -	\$ (6,000)	\$ 32,400	* \$ 6,000
Building Improvements (2004) 3.00% - 5.00% through 2024	130,000	-	(15,000)	115,000	15,000
Street Improvements (2006) 3.75% - 5.00% through 2026	513,709	-	(51,371)	462,338	53,604
Demolition Project (2006) 3.75% - 5.00% through 2026	310,066	-	(31,006)	279,060	32,354
Municipal Complex Refunding Bonds (2012)					
1.30 % - 2.00 % through 2019	395,000	-	(195,000)	200,000	200,000
Unamortized Bond Premium	9,186	-	(7,873)	1,313	-
Various Purpose Bonds (2014) 2.00% - 2.50% through 2024	505,000	-	(70,000)	435,000	70,000
Unamortized Bond Premium	9,756	-	(1,455)	8,301	-
Various Purpose Bonds (2014) 2.00% through 2019	100,000	-	(50,000)	50,000	50,000
Unamortized Bond Premium	2,759	-	(1,616)	1,143	-
Park and Recreation Facilities Improvement Bonds (2016) 2.00% - 5.00% through 2040	14,015,000	-	(450,000)	13,565,000	460,000
<b>Total General Obligation Bonds</b>	<b>16,028,876</b>	<b>-</b>	<b>(879,321)</b>	<b>15,149,555</b>	<b>886,958</b>

continued

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
 For the Year Ended December 31, 2018  
 (Continued)

**NOTE 14: LONG-TERM OBLIGATIONS** (Continued)

**Changes in Long Term Liabilities** (Continued)

	Restated Balance 1/1/2018	Additions	Reductions	Balance 12/31/2018	Due Within One Year
<i>Special Assessment Bonds With City Commitment</i>					
Sewer Improvement (2001) 6.1% through 2021	63,624	-	(14,693)	48,931	*
Street Improvement (2003) 4.20% through 2023	300,000	-	(45,000)	255,000	
Street Improvement (2003) 4.20% through 2023	70,000	-	(10,000)	60,000	
Sewer Improvements (2003) 4.58% through 2023	121,600	-	(19,000)	102,600	*
Street Improvement (2004) 3.00% - 5.00% through 2024	220,000	-	(30,000)	190,000	
Sewer Improvements (2006) 3.75% - 5.00% through 2026	290,622	-	(29,059)	261,563	*
Sewer Improvements (2006) 3.75% - 5.00% through 2026	35,632	-	(3,564)	32,068	*
Sewer Improvement Refunding (2012) 1.30% - 2.00% through 2019	90,000	-	(45,000)	45,000	*
Unamortized Bond Premium	2,006		(1,720)	286	-
Sewer Improvements (2014) 2.00% - 3.50% through 2034	85,000	-	(5,000)	80,000	
Sewer Improvements (2014) 2.00% - 3.50% through 2034	280,000	-	(15,000)	265,000	
Sewer Improvements (2014) 2.00% - 3.50% through 2034	480,000	-	(25,000)	455,000	
Unamortized Bond Premium	4,094	-	(245)	3,849	
<b>Total Special Assessments Bonds</b>	<b>2,042,578</b>	<b>-</b>	<b>(243,281)</b>	<b>1,799,297</b>	<b>243,645</b>

continued

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2018  
(Continued)

**NOTE 14: LONG-TERM OBLIGATIONS** (Continued)

**Changes in Long Term Liabilities** (Continued)

	Restated Balance 1/1/2018	Additions	Reductions	Balance 12/31/2018	Due Within One Year
<i>OWDA Loans</i>					
Interest rates vary from 4.02% to 4.35%, due through 2021	\$ 265,995	\$ -	\$ (91,578)	\$ 174,417	\$ 95,340
<i>OPWC Loan</i>					
0% due 2019	30,000	-	(20,000)	10,000	10,000
<i>City of North Royalton OPWC Loan</i>					
0% due 2035	112,898	-	-	112,898	9,408
Capital Leases	577,002	883,801	(278,827)	1,181,976	362,828
Compensated Absences	1,890,377	574,771	(615,072)	1,850,076	583,275
Net Pension Liability:					
OPERS	8,044,829	-	(2,474,436)	5,570,393	-
OP&F	12,365,871	-	(675,021)	11,690,850	-
Total Net Pension Liability	<u>20,410,700</u>	<u>-</u>	<u>(3,149,457)</u>	<u>17,261,243</u>	<u>-</u>
Net OPEB Liability:					
OPERS	3,746,847	183,131	-	3,929,978	-
OP&F	9,267,129	1,525,416	-	10,792,545	-
Total Net OPEB Liability	<u>13,013,976</u>	<u>1,708,547</u>	<u>-</u>	<u>14,722,523</u>	<u>-</u>
Total Governmental Activities	<u>\$ 54,372,402</u>	<u>\$ 3,167,119</u>	<u>\$ (5,277,536)</u>	<u>\$ 52,261,985</u>	<u>\$ 2,191,454</u>
Business-Type Activities:					
Capital Leases	\$ 94,095	\$ -	\$ (22,390)	\$ 71,705	\$ 23,129
Compensated Absences	51,609	10,647	(15,501)	46,755	17,603
Net Pension Liability - OPERS	926,766	-	(534,284)	392,482	-
Net OPEB Liability - OPERS	263,998	12,903	-	276,901	-
Total Business-Type Activities	<u>\$ 1,336,468</u>	<u>\$ 23,550</u>	<u>\$ (572,175)</u>	<u>\$ 787,843</u>	<u>\$ 40,732</u>

\* These debt issues are recorded in governmental funds to finance assets of the business-type activities. See notation on page 15 for a further description of the presentation on the statement of net position.

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
 For the Year Ended December 31, 2018  
 (Continued)

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**NOTE 15: CAPITALIZED LEASES**

The City has entered into capital lease obligations related to equipment and vehicles which are leased under long-term agreements. These leases meet the criteria of a capital lease as defined under generally accepted accounting standards. The assets of such agreements are recorded in the Governmental Activities and Business-Type Activities as shown on the Statement of Net Position.

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

Year	Governmental Activities	Business-Type Activities
2019	\$ 387,826	\$ 25,497
2020	281,430	25,498
2021	218,418	25,498
2022	192,921	-
2023	192,920	-
Total Minimum Lease Payments	1,273,515	76,493
Less Amount Representing Interest	(91,539)	(4,788)
Present Value of Minimum Lease Payments	<u>\$ 1,181,976</u>	<u>\$ 71,705</u>

The assets being acquired have been capitalized in the governmental and business-type activities in the amount of \$2,458,995 and \$162,247, respectively, which is the present value of the minimum lease payments at the inception of each lease, less unspent proceeds.

**NOTE 16: RISK MANAGEMENT**

**Property and Liability**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees and natural disasters. These risks are covered by commercial insurance purchased from independent third parties.

The City also maintains a variety of liability insurance coverages with varying deductibles.

The City bonds the Mayor for his term, along with several specific employees (i.e. Finance Director, Clerk of Courts, etc) where required by Ohio Revised Code.

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

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
(Continued)

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**NOTE 16: RISK MANAGEMENT** (Continued)

**Medical**

The City provides life, health and dental benefits to full time city employees. Coverage is provided by a commercial insurance carrier under a shared-funding plan. The City will pay up to a predetermined amount toward each employee's health care costs after employees meet their deductible. Once this "funding corridor" has been met, the insurance company will pay the employee's remaining annual health care costs.

**Workers' Compensation**

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

**NOTE 17: CONTINGENCIES**

The City of Broadview Heights, Ohio, is a defendant in several lawsuits, the outcome of which cannot be determined. It is the opinion of the City's management that any judgment against the City would not have a material adverse effect on the City's financial position, and would be covered by liability insurance maintained by the City.

**NOTE 18: JOINTLY GOVERNED ORGANIZATIONS**

**Southwest Council of Governments**

The Southwest Council of Governments helps foster cooperation between municipalities in areas affecting health, safety, welfare, education, economic conditions, and regional development. The Council's Board is comprised of one member from each of the participating cities. The Board exercises total control over the operation of the Council including budgeting, appropriating, contracting, and designating management. Budgets are adopted by the Board. Each City's degree of control is limited to its representation on the Board. The Council has established two subsidiary organizations, the Hazardous Material Response Team ("HAZMAT"), which provides hazardous material protection and assistance, and the Southwest Enforcement Bureau, which provides extra assistance to cities in the form of a SWAT team. In 2018, the City of Broadview Heights contributed \$20,000 to the Council. Financial information may be obtained by writing to the Finance Director of the City of Berea, at 11 Berea Commons, Berea, Ohio 44017.

**Regional Income Tax Agency**

In 1971, thirty-eight municipalities joined together to organize a Regional Council of Governments (RCOG) to administer tax collection and enforcement concerns facing the cities and villages. The first official act of the RCOG was to form the Regional Income Tax Agency (RITA). Today RITA serves as the income tax collection agency for 296 municipalities throughout the State of Ohio. The City is a member of RCOG. Information may be obtained by writing to RITA, 10107 Brecksville Road, Brecksville, Ohio, 44141.

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
(Continued)

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**NOTE 18: JOINTLY GOVERNED ORGANIZATIONS** (Continued)

**Northeast Ohio Public Energy Council**

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a regional council of governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of energy. NOPEC is currently comprised of over 220 communities who have been authorized by ballot to purchase energy on behalf of their citizens. The intent of NOPEC is to provide energy at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide energy to the citizens of its member communities. NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eleven-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. Financial information should be directed to NOPEC, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

**Cuyahoga Valley Council of Governments**

The City participates in the Cuyahoga Valley Council of Governments (the Council). The Council was formed to share jail and community services, foster municipal service, and coordinate action among its members in matters relating to public safety dispatch operations. The Council may also, at its discretion, promote cooperative agreements and contracts among its members or other governmental agencies and private persons, corporations, or agencies. The Council is controlled by an executive Board which is composed of a President, Vice President, Secretary and Fiscal Officer, who serves as Treasurer. The elected officers shall server for a period of two years. Each member's control over the operation of the Council is limited to its representation on the Board. In 2018, the City made no contributions. Complete financial statements can be obtained from the Cuyahoga Valley Council of Governments, Cuyahoga County, Ohio.

**Chagrin Valley Dispatch Council**

The City is a member of the Chagrin Valley Dispatch Council (CVDC). The CVDC was formed by the Council to foster cooperation through the sharing of operations of a central dispatch center for safety forces of the participating entities. The CVDC is comprised of 31 communities.

The CVDC is provided with legislative oversight by the Mayors and City Managers of the various communities. The Administrative consists of the chiefs of police and fire of each member municipality. The Administrative Board oversees and manages the operation of the program. The degree of control exercised by a participating government is limited to its representation on the Administrative Board. The City made no contributions to the CVDC during 2018. Financial information can be obtained by contacting Vic Nogalo, Administrator, 9018 Brecksville Road, Brecksville, Ohio 44141.

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2018*  
 (Continued)

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**NOTE 19: RELATED ORGANIZATION**

The Community Improvement Corporation (CIC) of Broadview Heights was formed to promote and assist in economic development with the City. City Council created the CIC in 1981 and appointed the initial CIC Board members. The CIC does not represent a potential financial benefit for or burden on the City.

**NOTE 20: COMMITMENTS**

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

Fund	Amount
General Fund	\$ 396,041
Fire Levy Fund	5,799
Park and Recreation Facilities Capital Improvement Fund	43,022
Streets Capital Improvement Fund	773,106
Nonmajor Governmental Funds	343,680
	\$ 1,561,648

**NOTE 21: TAX ABATEMENT DISCLOSURES**

Pursuant to Ohio Revised Code chapter 3735-65-70, the City has established a designated Community Reinvestment Area (CRA) in an effort to encourage economic growth. The CRA program provided the City with resources used to stimulate growth and economic development by providing a direct incentive tax exemption benefiting commercial property owners who renovate existing or construct new buildings within the designated area. Improvements within the CRA designated area are granted an abatement of 75% for years 1 through 5, 60% for years 6 through 10 and 50% for years 11 through 15, on the additional property taxes resulting from the increase in assessed value as a result of the improvements.

Along with the CRA agreement, the City entered into a revenue sharing agreement with the Brecksville Broadview Heights School District in order to not harm the school district as a result of the loss of property tax dollars. A formula is used to create a range based on municipal withholding tax remitted in the CRA. The range consists of 25% to 75% of the withholding tax. The amount of property tax abated, pro-rated for the portion owing to the school district is compared to the range. If the amount falls within the range, this amount is remitted to the school district. If the amount falls below the range, the 25% creating the lower limit of the range is remitted to the school district. If the amount exceeds the top of the range, the 75% creating the upper limit of the range is remitted.

For the year ended December 31, 2018, the amount of property taxes abated in the CRA was \$79,004.

**NOTE 22: SUBSEQUENT EVENTS**

On March 22, 2020, Council approved the issuance and sale of notes in the maximum aggregate principal amount of \$4,500,000 for the purpose of improving East Royalton Road.



**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the Net Pension Liability/(Asset)*  
*Ohio Public Employees Retirement System*  
*Last Five Years (1)*

<b>Traditional Plan</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability	0.038009%	0.039508%	0.038146%	0.037103%	0.037103%
City's Proportionate Share of the Net Pension Liability	\$5,962,875	\$8,971,595	\$6,607,368	\$4,475,036	\$4,373,960
City's Covered Payroll	\$5,022,877	\$5,108,183	\$4,746,658	\$4,563,900	\$4,449,808
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.71%	175.63%	139.20%	98.05%	98.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%
<b>Combined Plan</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension (Asset)	0.051662%	0.037551%	0.030680%	0.035531%	0.035531%
City's Proportionate Share of the Net Pension (Asset)	(\$70,329)	(\$20,900)	(\$14,930)	(\$13,680)	(\$3,728)
City's Covered Payroll	\$211,577	\$146,167	\$111,642	\$130,858	\$112,323
City's Proportionate Share of the Net Pension (Asset) as a Percentage of its Covered Payroll	33.24%	14.30%	13.37%	10.45%	3.32%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	137.28%	116.55%	116.90%	114.83%	104.33%

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

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

See accompanying notes to the required supplementary information

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the Net Pension Liability*  
*Ohio Police and Fire Pension Fund*  
*Last Five Years (1)*

<b>Police</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability	0.1084030%	0.1108237%	0.1067515%	0.1072636%	0.1072636%
City's Proportionate Share of the Net Pension Liability	\$6,653,179	\$7,019,463	\$6,867,398	\$5,693,674	\$5,224,074
City's Covered Payroll	\$2,534,863	\$2,605,395	\$2,475,342	\$2,371,479	\$2,417,546
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	262.47%	269.42%	277.43%	240.09%	216.09%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	73.00%
<b>Fire</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability	0.0820808%	0.0844094%	0.0780059%	0.0782230%	0.0782230%
City's Proportionate Share of the Net Pension Liability	\$5,037,671	\$5,346,408	\$5,018,171	\$4,152,166	\$3,809,705
City's Covered Payroll	\$1,529,719	\$1,624,723	\$1,472,494	\$1,695,566	\$1,398,571
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	329.32%	329.07%	340.79%	244.88%	272.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	73.00%

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

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

See accompanying notes to the required supplementary information

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Required Supplementary Information*  
*Schedule of the City's Contributions - Pension*  
*Ohio Public Employees Retirement System*  
*Last Six Years (1)*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>Contractually Required Contributions</u>						
Traditional Plan	734,338	652,974	612,982	569,599	547,668	578,475
Combined Plan	21,005	27,505	17,540	13,397	15,703	14,602
Total Required Contributions	\$755,343	\$680,479	\$630,522	\$582,996	\$563,371	\$593,077
Contributions in Relation to the Contractually Required Contribution	(\$755,343)	(\$680,479)	(\$630,522)	(\$582,996)	(\$563,371)	(\$593,077)
Contribution Deficiency / (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's Covered Payroll						
Traditional Plan	\$5,245,271	\$5,022,877	\$5,108,183	\$4,746,658	\$4,563,900	\$4,449,808
Combined Plan	\$150,036	\$211,577	\$146,167	\$111,642	\$130,858	\$112,323
<u>Pension Contributions as a Percentage of Covered Payroll</u>						
Traditional Plan	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
Combined Plan	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%

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

See accompanying notes to the required supplementary information

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Required Supplementary Information*  
*Schedule of the City's Contributions - Pension*  
*Ohio Police and Fire Pension Fund*  
 Last Ten Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
<u>Contractually Required Contributions</u>										
Police	\$496,307	\$481,624	\$495,025	\$470,315	\$450,581	\$380,280	\$282,416	\$271,519	\$278,399	\$275,218
Fire	\$417,725	\$359,484	\$381,810	\$346,036	\$398,458	\$282,931	\$219,043	\$220,877	\$226,665	\$231,775
Total Required Contributions	\$914,032	\$841,108	\$876,835	\$816,351	\$849,039	\$663,211	\$501,459	\$492,396	\$505,064	\$506,993
Contributions in Relation to the										
Contractually Required Contribution	(\$914,032)	(\$841,108)	(\$876,835)	(\$816,351)	(\$849,039)	(\$663,211)	(\$501,459)	(\$492,396)	(\$505,064)	(\$506,993)
Contribution Deficiency / (Excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
City's Covered Payroll										
Police	\$2,612,142	\$2,534,863	\$2,605,395	\$2,475,342	\$2,371,479	\$2,417,546	\$2,215,027	\$2,129,561	\$2,183,522	\$2,158,573
Fire	\$1,777,553	\$1,529,719	\$1,624,723	\$1,472,494	\$1,695,566	\$1,398,571	\$1,269,814	\$1,280,446	\$1,314,000	\$1,343,623
<u>Pension Contributions as a Percentage of Covered Payroll</u>										
Police	19.00%	19.00%	19.00%	19.00%	19.00%	[1]	12.75%	12.75%	12.75%	12.75%
Fire	23.50%	23.50%	23.50%	23.50%	23.50%	[1]	17.25%	17.25%	17.25%	17.25%

[1] – The portion of the City's contributions to fund pension obligations from January 1, 2013 thru May 31, 2013, for both police officers and firefighters was 14.81 percent and 19.31 percent, respectively. The portion of the City's contributions to fund pension obligations from June 1, 2013 thru December 31, 2013 for both police officers and firefighters was 16.65 percent and 21.15 percent, respectively.

See accompanying notes to the required supplementary information

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the Net OPEB Liability*  
*Ohio Public Employees Retirement System*  
*Last Two Years (1)*

	2018	2017
City's Proportion of the Net OPEB Liability	0.038740%	0.039710%
City's Proportionate Share of the Net OPEB Liability	\$ 4,206,879	\$ 4,010,845
City's Covered Payroll	\$ 5,486,799	\$ 5,487,561
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.67%	73.09%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

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

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

See accompanying notes to the required supplementary information

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Required Supplementary Information*  
*Schedule of the City's Proportionate Share of the Net OPEB Liability*  
*Ohio Police and Fire Pension Fund*  
*Last Two Years (1)*

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	2018	2017
City's Proportion of the Net OPEB Liability	0.190484%	0.195230%
City's Proportionate Share of the Net OPEB Liability	\$ 10,792,545	\$ 9,267,129
City's Covered Payroll	\$ 4,064,582	\$ 4,230,118
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	265.53%	219.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

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

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

See accompanying notes to the required supplementary information

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Required Supplementary Information*  
*Schedule of the City's Contributions - OPEB*  
*Ohio Public Employees Retirement System*  
*Last Four Years (1)*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 10,547	\$ 62,438	\$ 114,435	\$ 97,185
Contributions in Relation to the Contractually Required Contribution	<u>(10,547)</u>	<u>(62,438)</u>	<u>(114,435)</u>	<u>(97,185)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 5,658,997	\$ 5,486,799	\$ 5,487,561	\$ 5,097,678
Contributions as a Percentage of Covered Payroll	0.19%	1.14%	2.09%	1.91%

(1) Information prior to 2015 is not available. Schedule is intended to show ten years of information, and additional years' will be displayed as it becomes available.

See accompanying notes to the required supplementary information

**CITY OF BROADVIEW HEIGHTS**  
 Cuyahoga County, Ohio  
*Required Supplementary Information*  
*Schedule of the City's Contributions - OPEB*  
*Ohio Police and Fire Pension Fund*  
 Last Ten Years

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually Required Contribution	\$ 21,949	\$ 20,323	\$ 21,430	\$ 19,602	\$ 20,492	\$ 122,102	\$ 235,226	\$ 230,175	\$ 236,082	\$ 236,399
Contributions in Relation to the Contractually Required Contribution	(21,949)	(20,323)	(21,430)	(19,602)	(20,492)	(122,102)	(235,226)	(230,175)	(236,082)	(236,399)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City Covered Payroll	\$ 4,389,695	\$ 4,064,582	\$ 4,230,118	\$ 3,947,836	\$ 4,067,045	\$ 3,816,117	\$ 3,484,841	\$ 3,410,007	\$ 3,497,522	\$ 3,502,196
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%	0.50%	3.62%	6.75%	6.75%	6.75%	6.75%

See accompanying notes to the required supplementary information



**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Required Supplementary Information*

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**OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)**

***Net Pension Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014-2018.

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

***Net OPEB Liability***

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

*Changes in assumptions:* For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

**OHIO POLICE AND FIRE (OP&F) PENSION FUND**

***Net Pension Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2014-2018.

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

**CITY OF BROADVIEW HEIGHTS**  
Cuyahoga County, Ohio  
*Notes to the Required Supplementary Information*

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**OHIO POLICE AND FIRE (OP&F) PENSION FUND** (Continued)

*Net OPEB Liability*

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

*Changes in assumptions:* For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

# OHIO AUDITOR OF STATE KEITH FABER



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

City of Broadview Heights  
Cuyahoga County  
9543 Broadview Road  
Broadview Heights, Ohio 44147

To the City Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Broadview Heights, Cuyahoga County, Ohio (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated April 7, 2020 wherein we noted the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and restated the net position of its Governmental Activities to account for adjustments related to capital assets.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the City'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's internal control. Accordingly, we have not opined on it.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Therefore, unidentified material weaknesses or significant deficiencies may exist. 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 that we consider a significant deficiency. We consider finding 2018-001 to be a significant deficiency.

***Compliance and Other Matters***

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the 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's Response to Findings***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

April 7, 2020

**CITY OF BROADVIEW HEIGHTS  
CUYAHOGA COUNTY**

**SCHEDULE OF FINDINGS  
DECEMBER 31, 2018**

**FINDINGS RELATED TO THE FINANCIAL STATEMENTS  
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

**FINDING NUMBER 2018-001**

**Significant Deficiency – Mayor’s Court Bank Reconciliations**

A necessary step in the internal control over financial reporting is to reconcile the bank balance to the accounting record's each month. Bank reconciliation means accounting for the differences between the balance of the bank statement(s) and cash and investment balances according to the City's accounting records at a specific point in time. Complete and accurate bank to book reconciliations are the primary internal control for ensuring accuracy, occurrence, cut-off, completeness, and existence of transactions and cash balances at year-end.

The December 31, 2018 Mayor's Court general account bank reconciliation showed an unreconciled bank over book variance of \$7,604 between the bank reconciliation and the book cash balance from the Baldwin computer system. The December 31, 2018 Mayor's Court bond account bank reconciliation showed an unreconciled bank over book variance of \$848 between the bank reconciliation and the book cash balance from the Baldwin computer system. Management was unable to identify the source of the variances.

Failure to perform timely and accurate bank reconciliations, including resolving reconciliations on a timely-basis could result in financial statement errors and leaves the Municipal Court susceptible to theft or loss of public funds.

The Mayor's Court should perform timely reconciliations and maintain support for all items on the monthly bank reconciliations, including bank statements, a report from the accounting system documenting the fund balance, and detailed listings and support for reconciling items. Any discrepancies on the reconciliation should be promptly investigated.

**Officials’ Response:** The City recognizes the fact that prior reconciliation procedures did not adequately reconcile the Mayor’s Court Bank Statement to the Mayor’s Court software. The Clerk of Courts and Finance Director are working on new procedures to reconcile the Mayor’s Court accounts.

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# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF BROADVIEW HEIGHTS**

**CUYAHOGA COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
APRIL 21, 2020**