

**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED  
DECEMBER 31, 2019**

***James G. Zupka, CPA, Inc.***  
**Certified Public Accountants**





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Members of City Council  
City of Olmsted Falls  
26100 Bagley Road  
Olmsted Falls, Ohio 44138

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

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

Keith Faber  
Auditor of State  
Columbus, Ohio

August 27, 2020

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**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY, OHIO  
AUDIT REPORT  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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**JAMES G. ZUPKA, C.P.A., INC.**

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**INDEPENDENT AUDITOR'S REPORT**

To the Members of City Council  
City of Olmsted Falls  
Olmsted Falls, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Olmsted Falls, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

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

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

### ***Opinions***

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

### ***Emphasis of Matter***

As discussed in Note 19 to the basic financial statements, during 2019, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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



### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated July 8, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



James G. Zupka, CPA, Inc.  
Certified Public Accountants

July 8, 2020

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# *City of Olmsted Falls, Ohio*

## Management's Discussion and Analysis For the Year Ended December 31, 2019 (Unaudited)

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

### **Financial Highlights**

Key financial highlights for 2019 are as follows:

- The total net position of the City increased \$2,977,527 or 13.66% compared to 2018, due to the changes reported for GASB 75 expenses.
- General revenues accounted for \$5,577,798 or 58.04% of total governmental activities revenue. Program specific revenues accounted for \$4,032,696 or 41.96% of total governmental activities revenue.
- The City had \$6,632,967 in expenses related to governmental activities; these expenses were partially offset by program specific charges for services, grants or contributions.
- The City's major governmental funds are the General Fund, Sewer Debt Project 4 Fund, and the Sanitary Sewers Fund. The General Fund had revenues and other financing sources of \$4,992,757 in 2019. The General Fund had expenditures and other financing uses of \$4,915,114. The net increase in fund balance for the General Fund was \$77,643 or 4.93%. The General Fund transferred out \$171,000 to cover the cost of other governmental funds.
- The Sewer Debt Project 4 Fund had revenues and other financing sources of \$58,261 in 2019. The expenditures of the Sewer Debt Project 4 Fund, totaled \$76,589 in 2019. The net decrease in fund balance for the Sewer Debt Project 4 Fund was \$18,328 or 12.36%.
- The Sanitary Sewers Fund revenues and other financing sources account for \$8,476,598 in 2019. The expenditures of the Sanitary Sewers Fund, totaled \$4,267,112 in 2019. The net increase in fund balance for the Sanitary Sewers Fund was \$4,209,486. Additional notes were issued in 2019 as the Cook/Columbia Rd Sewer project continues into the next phase of the project.
- In the General Fund, the actual revenues and other financing sources came in \$31,690 more than they were in the final budget and actual expenditures and other financing uses were \$272,355 less than the amount in the final budget.

### **Using this Annual Financial Report**

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

The statement of net position and statement of activities provide information about the activities of the City as a whole, 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.

## *City of Olmsted Falls, Ohio*

Management's Discussion and Analysis (Continued)  
For the Year Ended December 31, 2019  
(Unaudited)

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### **Reporting the City as a Whole**

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

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of net position and statement of activities answer this question. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's net position and changes in that 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 restricting revenues growth, facility conditions, required community programs and other factors.

In the statement of net position and statement of activities, the governmental activities include the City's programs and services, including police, fire and rescue, street maintenance, capital improvements and general administration. These services are funded primarily by property and municipal income taxes and intergovernmental revenues including federal and state grants and other shared revenues. These financial statements can be found on page 17-18 of this report.

### **Reporting the City's Most Significant Funds**

#### *Fund Financial Statements*

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental funds, which includes the General Fund, Sewer Debt Project 4 Fund, and Sanitary Sewers Fund begins on page 19.

#### *Governmental Funds*

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

## *City of Olmsted Falls, Ohio*

### Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2019 (Unaudited)

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the General Fund, Sewer Debt Project 4 Fund, and Sanitary Sewers Fund. Information for major funds is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 19-23 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency funds are the City's only fiduciary fund type. The basic fiduciary fund financial statements can be found on page 24 of this report.

#### ***Notes to the Basic financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-81 of this report.

#### ***Other Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain other information that the City believes readers will find useful. After the notes to the financial statements are the required supplementary information and notes to the required supplementary information related to the net pension liability and net OPEB liability. This information can be found on pages 82-91 of the report.

#### **Government-Wide Financial Analysis**

The statement of net position provides the perspective of the City as a whole. The table on the following page provides a summary of the City's net position for 2019 compared to 2018.

## City of Olmsted Falls, Ohio

### Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2019 (Unaudited)

**Table 1 - Net Position**

	Governmental Activities	
	2019	2018
<b><u>Assets</u></b>		
Current and Other Assets	\$ 14,750,896	\$ 9,875,110
Capital Assets	31,072,623	28,665,410
<b>Total Assets</b>	<b>45,823,519</b>	<b>38,540,520</b>
<b><u>Deferred Outflows of Resources</u></b>		
Pension	2,326,815	1,217,719
OPEB	559,547	557,037
<b>Total Deferred Outflows of Resources</b>	<b>2,886,362</b>	<b>1,774,756</b>
<b><u>Liabilities</u></b>		
Long-term Liabilities	19,954,605	15,230,099
Other Liabilities	1,636,348	425,385
<b>Total Liabilities</b>	<b>21,590,953</b>	<b>15,655,484</b>
<b><u>Deferred Inflows of Resources</u></b>		
Property Taxes	1,685,344	1,705,743
Pension	422,349	1,001,831
OPEB	232,961	151,471
<b>Total Deferred Inflows of Resources</b>	<b>2,340,654</b>	<b>2,859,045</b>
<b><u>Net Position</u></b>		
Net Investment in Capital Assets	22,129,709	23,795,612
Restricted	8,240,105	5,073,598
Unrestricted	(5,591,540)	(7,068,463)
<b>Total Net Position</b>	<b>\$ 24,778,274</b>	<b>\$ 21,800,747</b>

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2019 and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." Previously, 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.

## *City of Olmsted Falls, Ohio*

### Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2019 (Unaudited)

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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 and the net OPEB liability to equal the City's proportionate share of each plan's collective:

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

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

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

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

## City of Olmsted Falls, Ohio

### Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2019 (Unaudited)

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2019, the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24,778,274.

Capital assets reported on the government wide statements represent the largest portion of the City's net position. At year-end, capital assets represented 67.81% of total assets. Capital assets include land, construction in progress, buildings, improvements other than building, machinery, equipment & vehicles and infrastructure. Net investment in capital assets at December 31, 2019, was \$22,129,709 in the governmental 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, \$8,240,105, represents resources that are subject to external restriction on how they may be used.

Current and Other Assets increased by \$4,875,786, or 49.37%. This was primary caused by an increase in cash and cash equivalents, due to cash receipts exceeding cash expenditures during 2019. Deferred Outflows of Resources increased by \$1,111,606, or 62.63%, Long-term Liabilities increased by \$4,724,506, or 31.02%, and Deferred Inflows of Resources decreased by \$518,391, or 18.13%. These changes were primarily due to the pension and OPEB adjustments per GASB 68 and 75.

The table presented below is necessary to show the City's Net Position without the implementation of GASB 68 and GASB 75.

Table 2 - Net Position Without GASB 68 and GASB 75

Total Net Position including GASB 68 and GASB 75	\$ 24,778,274
Add:	
Net Pension liability	7,734,997
Net OPEB Liability	1,896,226
Deferred Inflows - Pension	422,349
Deferred Inflows - OPEB	232,961
Less:	
Deferred Outflows - Pension	2,326,815
Deferred Outflows - OPEB	559,547
Net Pension Asset	\$ 435
Total Net Position without GASB 68 and GASB 75	<u>\$ 32,178,010</u>



**City of Olmsted Falls, Ohio**

Management's Discussion and Analysis (Continued)  
For the Year Ended December 31, 2019  
(Unaudited)

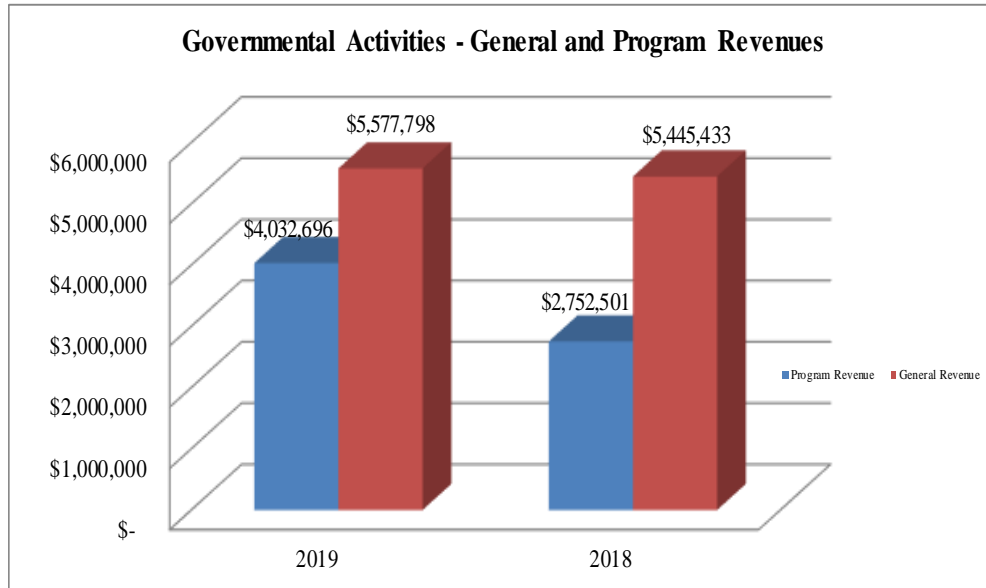
The table below shows the changes in net position for the fiscal years 2019 and 2018.

**Table 3 - Change in Net Position**

	Governmental Activities	
	2019	2018
<b><u>Revenues</u></b>		
Program Revenues		
Charges for Services	\$ 1,467,129	\$ 1,336,110
Operating Grants and Contributions	738,421	853,233
Capital Grants and Contributions	1,827,146	563,158
<b>Total Program Revenues</b>	<b>4,032,696</b>	<b>2,752,501</b>
General Revenues		
Property Taxes	1,734,596	1,702,786
Municipal Income Taxes	3,231,590	3,179,749
Investment Earnings	135,751	42,291
Grants and Entitlements not Restricted to Specific Programs	431,328	400,020
All Other Revenue	21,665	120,587
Gain on Sale of Capital Assets	22,868	-
<b>Total General Revenues</b>	<b>5,577,798</b>	<b>5,445,433</b>
<b>Total Revenues</b>	<b>9,610,494</b>	<b>8,197,934</b>
<b><u>Expenses</u></b>		
Program Expenses		
Security of Persons and Property	1,358,534	3,813,305
Public Health Services	671,973	638,239
Basic Utility Services	558,768	542,512
Community Environment	450,886	385,866
Leisure Time Activities	224,553	214,185
Transportation	1,661,736	1,747,834
General Government	1,526,044	1,493,224
Interest and Fiscal Charges	180,473	114,300
<b>Total Program Expenses</b>	<b>6,632,967</b>	<b>8,949,465</b>
Change in Net Position	2,977,527	(751,531)
Net Position, Beginning of Year	21,800,747	22,552,278
<b>Net Position, End of Year</b>	<b>\$ 24,778,274</b>	<b>\$ 21,800,747</b>

## City of Olmsted Falls, Ohio

Management's Discussion and Analysis (Continued)  
For the Year Ended December 31, 2019  
(Unaudited)



### Governmental Activities

Governmental activities net position increased \$2,977,527 in 2019. This increase is mostly attributed to the decrease to Security of Persons and Property expenses by \$2,454,771. This change is directly related to the decrease in Net OPEB Liability. The Ohio Police and Fire Pension changed its health care model, which resulted in a sharp reduction of its liability. As a result, there was an adjustment to decrease Security of Persons and Property expense by \$2,519,693.

Capital Grants and Contributions increased by \$1,268,988, or 224.45%, as compared to 2018. The increase is due the City receiving grants from outside sources to assist in funding the Columbia/Cook Sanitary Sewer Project.

General revenues totaled \$5,577,798 and amounted to 58.04% of total governmental revenues. These revenues primarily consist of property and municipal income tax revenue of \$4,966,186. This was an increase of \$83,651, or 1.71%. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government and local government revenue assistance, making up \$431,328. Grants and entitlements not restricted to specific programs increased by \$31,308 compared to 2018. Investment earnings increased by \$93,460, or 220.99%, as a result of increasing market rates.

Governmental activities programs expenses totaled 6,632,967 which is a \$2,316,498 decrease as compared to 2018. Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$1,358,534 of the total expenses of the City. These expenses were partially funded by \$323,941 in direct charges to users of the services, \$9,501 in operating grants. Transportation expenses totaled \$1,661,736 and were funded by \$5,000 in direct charges to users of these services, and \$564,385 in operating grants and contributions.

## City of Olmsted Falls, Ohio

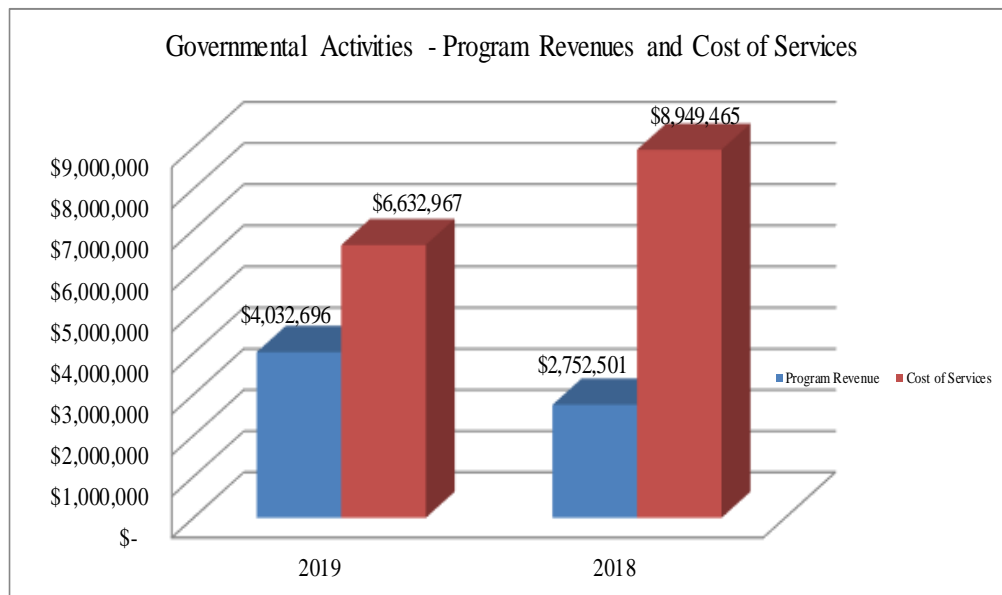
### Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2019 (Unaudited)

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

As can be seen in the following graph, the City is highly dependent upon property and municipal income taxes as well as unrestricted grants and entitlements to support its governmental activities.

**Table 4 - Program Expenses**

	2019		2018	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
<i>Governmental Activities:</i>				
Security of Persons and Property	\$ 1,358,534	\$ 1,005,955	\$ 3,813,305	\$ 3,459,301
Public Health Services	671,973	105,695	638,239	30,188
Basic Utility Services	558,768	(1,555,209)	542,512	(403,371)
Community Environment	450,886	193,874	385,866	150,902
Leisure Time Activities	224,553	191,635	214,185	183,920
Transportation	1,661,736	1,092,351	1,747,834	1,303,078
General Government	1,526,044	1,385,497	1,493,224	1,358,646
Interest and Fiscal Charges	180,473	180,473	114,300	114,300
<b>Total Expenses</b>	<b>\$ 6,632,967</b>	<b>\$ 2,600,271</b>	<b>\$ 8,949,465</b>	<b>\$ 6,196,964</b>



## City of Olmsted Falls, Ohio

### Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2019 (Unaudited)

#### Financial Analysis of the Government's Funds

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

#### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial requirements. In particular, unassigned fund balances may serve as a useful measure of the City's net resources available for spending at year end.

The City's governmental funds (as presented on the balance sheet on page 19) reported a combined fund balance of \$8,794,814 which is \$3,964,239 higher than last year's total of \$4,830,575. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2019 for all major and nonmajor governmental funds.

	Fund Balance		Increase (Decrease)
	2019	2018	
General	\$ 1,652,796	\$ 1,575,153	\$ 77,643
Sewer Debt Project 4	(166,608)	(148,280)	(18,328)
Sanitary Sewers	5,060,147	850,661	4,209,486
Other Governmental Funds	2,248,479	2,553,041	(304,562)
	\$ 8,794,814	\$ 4,830,575	\$ 3,964,239

The General Fund balance increased by \$77,643. The table that follows assists in illustrating the revenues of the General Fund.

	2019	2018	Percentage Change
<b><u>Revenues</u></b>			
Municipal Income Taxes	\$ 2,866,897	\$ 2,818,862	1.70%
Property Taxes	504,080	461,234	9.29%
Licenses and Permits	282,439	196,716	43.58%
Intergovernmental	249,097	219,227	13.63%
Charges for Services	914,515	862,186	6.07%
Fines and Forfeitures	85,627	110,623	-22.60%
Investment Income	67,892	42,291	60.54%
Contributions and Donations	1,979	-	100%
Sale of Capital Assets	9,944	-	100%
All Other Revenues	10,287	47,475	-78.33%
<b>Total Revenues</b>	\$ 4,992,757	\$ 4,758,614	4.92%

Licenses and permits increased by \$85,723, or 43.58%, due to an increase in building permits issued in 2019. Fines and forfeitures decreased by \$24,996, or 22.60%, due to decreases in fines and fees from the Mayor's Court.

## City of Olmsted Falls, Ohio

### Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2019 (Unaudited)

The following table assists in illustrating the expenditures of the General Fund.

<u>Expenditures</u>	<u>2019</u>	<u>2018</u>	<u>Percentage Change</u>
Security of Persons and Property	\$ 2,192,854	\$ 2,094,769	4.68%
Public Health Services	625,718	584,283	7.09%
Leisure Time Activities	-	3,976	-100.00%
Community Environment	279,491	291,163	-4.01%
Basic Utility Services	53,810	55,037	-2.23%
Transportation	389,610	415,389	-6.21%
General Government	1,183,228	1,286,382	-8.02%
Capital Outlay	-	8,750	-100.00%
Principal Retirement	19,403	19,403	0.00%
Transfers Out	171,000	215,037	-20.48%
<b>Total Expenditures</b>	<b>\$ 4,915,114</b>	<b>\$ 4,974,189</b>	<b>-1.19%</b>

#### ***Sewer Debt Project 4 Fund***

The Sewer Debt Project 4 Fund has revenues and other financing sources of \$58,261 in 2019. The expenditures of the Sewer Debt Project 4 Fund, totaled \$76,589 in 2019. The net decrease in fund balance for the Sewer Debt Project 4 Fund was \$18,328 or 12.36%.

#### ***Sanitary Sewers Fund***

The Sanitary Sewers Fund had revenues and other financing sources of \$8,476,598 in 2019. The expenditures of the Sanitary Sewers Fund, totaled \$4,267,112 in 2019. The net increase in fund balance for the Sanitary Sewers Fund was \$4,209,486. The increase was due to additional notes being issued in 2019.

#### ***Budgeting Highlights***

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated resources certified by the Budget Commission in accordance with the ORC. If budgeted revenues are adjusted due to activity then appropriations can be adjusted accordingly.

In the General Fund, the actual revenues and other financing sources came in \$31,690 more than the final budgeted amounts and actual expenditures and other financing uses were \$337,355 less than the amount in the final budget.

## *City of Olmsted Falls, Ohio*

### Management's Discussion and Analysis (Continued) For the Year Ended December 31, 2019 (Unaudited)

#### *Capital Assets and Debt Administration*

##### *Capital Assets*

At the end of fiscal year 2019, the City had \$31,072,623 (net of accumulated depreciation) invested in land, construction in progress, buildings, improvements other than buildings, machinery, equipment, vehicles and infrastructure. The table below shows fiscal 2019 balances compared to 2018.

<b>Capital Assets at December 31 (Net of Depreciation)</b>		
	Governmental Activities	
	2019	2018
Land	\$ 1,460,297	\$ 1,452,797
Construction-in-Progress	5,266,818	2,570,117
Buildings	5,969,671	6,068,703
Improvements Other Than Buildings	1,011,820	1,017,659
Machinery, Equipment, and Vehicles	1,714,060	1,633,311
Infrastructures	15,649,957	15,922,823
<b>Total Capital Assets</b>	<b>\$ 31,072,623</b>	<b>\$ 28,665,410</b>

Refer to Note 9 for additional information on the City's capital assets.

##### *Debt Obligations*

The City had the following debt obligations outstanding at December 31, 2019 and 2018:

<b>Outstanding Debt at December 31</b>		
	Governmental Activities	
	2019	2018
General Obligation Bonds	\$ 1,380,000	\$ 1,490,000
W&SRC Loan	396,075	396,075
OWDA Loans	824,601	1,031,564
OPWC Loans	213,438	232,841
Capital Leases	13,563	26,706
Notes Payable	7,110,000	2,075,000
Compensated Absences	342,429	321,769
<b>Total Outstanding Debt</b>	<b>\$ 10,280,106</b>	<b>\$ 5,573,955</b>

Refer to Note 10 for additional information on the City's debt obligations.

#### *Contacting the City's Financial Management*

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives, spends, or invests. If you have any questions about this report or need additional financial information, contact Mr. Nick Vitalone, Director of Finance, City of Olmsted Falls, 26100 Bagley Rd., Olmsted Falls, Ohio 44138-1897.

*City of Olmsted Falls, Ohio*

Statement of Net Position  
December 31, 2019

	Governmental Activities
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 9,122,412
Materials and Supplies Inventory	7,269
Accounts Receivable	708,344
Intergovernmental Receivable	500,087
Prepaid Items	93,492
Municipal Income Taxes Receivable	1,367,991
Property Taxes Receivable	1,806,190
Special Assessments Receivable	931,238
Loans Receivable	213,438
Nondepreciable Capital Assets	6,727,115
Depreciable Capital Assets	24,345,508
Net Pension Asset	435
<b>Total Assets</b>	<b>45,823,519</b>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	2,326,815
OPEB	559,547
<b>Total Deferred Outflows of Resources</b>	<b>2,886,362</b>
 <b>LIABILITIES</b>	
Accounts Payable	1,193,934
Accrued Wages and Benefits	78,166
Intergovernmental Payable	16,069
Matured Compensated Absences Payable	15,589
Accrued Interest Payable	120,764
Retainage Payable	211,826
Long-term Liabilities:	
Due within one year	7,361,482
Due in more than one year:	
Net Pension Liability (See Note 14)	7,734,997
Net OPEB Liability (See Note 15)	1,896,226
Other Amounts	2,961,900
<b>Total Liabilities</b>	<b>21,590,953</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Property Taxes	1,685,344
Pension	422,349
OPEB	232,961
<b>Total Deferred Inflows of Resources</b>	<b>2,340,654</b>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	22,129,709
Restricted for:	
Debt Service	124,846
Capital Projects	5,522,864
Sanitary Sewer Improvements	858,549
Road Improvements	1,049,743
Other Purposes	684,103
Unrestricted	(5,591,540)
<b>Total Net Position</b>	<b>\$ 24,778,274</b>

The notes to the basic financial statements are an integral part of this statement.

# City of Olmsted Falls, Ohio

## Statement of Activities For the Year Ended December 31, 2019

<u>Functions</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
<b>Primary Government:</b>					
Governmental Activities:					
Security of Persons and Property	\$ 1,358,534	\$ 323,941	\$ 9,501	\$ 19,137	\$ (1,005,955)
Public Health Services	671,973	566,278	-	-	(105,695)
Leisure Time Activities	224,553	12,558	20,360	-	(191,635)
Community Environment	450,886	222,235	34,777	-	(193,874)
Basic Utility Services	558,768	198,549	107,419	1,808,009	1,555,209
Transportation	1,661,736	5,000	564,385	-	(1,092,351)
General Government	1,526,044	138,568	1,979	-	(1,385,497)
Interest and Fiscal Charges	180,473	-	-	-	(180,473)
Total Governmental Activities	\$ 6,632,967	\$ 1,467,129	\$ 738,421	\$ 1,827,146	(2,600,271)
<b>General Revenues:</b>					
Property Taxes levied for:					
General Purposes					500,568
Other Purposes					1,234,028
Municipal Income Taxes levied for:					
General Purposes					2,856,684
Capital Outlay					374,906
Grants & Entitlements not restricted to specific programs					431,328
Investment Income					135,751
Gain on Sale of Capital Assets					22,868
All Other Revenues					21,665
Total General Revenues					5,577,798
Change in Net Position					2,977,527
Net Position - Beginning of Year					21,800,747
<b>Net Position - End of Year</b>					<b>\$ 24,778,274</b>

The notes to the basic financial statements are an integral part of this statement.



*City of Olmsted Falls, Ohio*

Balance Sheet  
Governmental Funds  
December 31, 2019

	General Fund	Sewer Debt Project 4	Sanitary Sewers	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>					
Equity in Pooled Cash and Cash Equivalents	\$ 342,226	\$ 15,169	\$ 6,287,779	\$ 2,477,238	\$ 9,122,412
Materials and Supplies Inventory	363	-	-	6,906	7,269
Accounts Receivable	664,826	-	-	43,518	708,344
Interfund Receivable	571,216	-	-	532,054	1,103,270
Intergovernmental Receivable	102,124	-	30,000	367,963	500,087
Prepaid Items	93,492	-	-	-	93,492
Municipal Income Taxes Receivable	1,203,832	-	-	164,159	1,367,991
Property Taxes Receivable	519,919	-	-	1,286,271	1,806,190
Special Assessments Receivable	-	545,803	-	385,435	931,238
Loans Receivable	213,438	-	-	-	213,438
<b>Total Assets</b>	<u>\$ 3,711,436</u>	<u>\$ 560,972</u>	<u>\$ 6,317,779</u>	<u>\$ 5,263,544</u>	<u>\$ 15,853,731</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES &amp; FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts Payable	\$ 94,097	\$ -	\$ 975,806	\$ 124,031	\$ 1,193,934
Accrued Wages and Benefits	74,284	-	-	3,882	78,166
Intergovernmental Payable	15,469	-	-	600	16,069
Matured Compensated Absences Payable	15,589	-	-	-	15,589
Retainage Payable	-	-	211,826	-	211,826
Interfund Payable	-	181,777	70,000	851,493	1,103,270
<b>Total Liabilities</b>	<u>199,439</u>	<u>181,777</u>	<u>1,257,632</u>	<u>980,006</u>	<u>2,618,854</u>
<b>Deferred Inflows of Resources:</b>					
Property Taxes	485,055	-	-	1,200,289	1,685,344
Unavailable Revenue - Delinquent Property Taxes	34,864	-	-	85,982	120,846
Unavailable Revenue - Municipal Income Taxes	644,605	-	-	90,831	735,436
Unavailable Revenue - Special Assessments	-	545,803	-	385,435	931,238
Unavailable Revenue - Other	694,677	-	-	272,522	967,199
<b>Total Deferred Inflows of Resources</b>	<u>1,859,201</u>	<u>545,803</u>	<u>-</u>	<u>2,035,059</u>	<u>4,440,063</u>
<b>Fund Balances:</b>					
Nonspendable	307,293	-	-	6,906	314,199
Restricted	-	-	5,060,147	2,766,103	7,826,250
Committed	62,880	-	-	-	62,880
Assigned	285,374	-	-	35,586	320,960
Unassigned (Deficit)	997,249	(166,608)	-	(560,116)	270,525
<b>Total Fund Balances</b>	<u>1,652,796</u>	<u>(166,608)</u>	<u>5,060,147</u>	<u>2,248,479</u>	<u>8,794,814</u>
<b>Total Liabilities, Deferred Inflows of Resources &amp; Fund Balances</b>	<u>\$ 3,711,436</u>	<u>\$ 560,972</u>	<u>\$ 6,317,779</u>	<u>\$ 5,263,544</u>	<u>\$ 15,853,731</u>

The notes to the basic financial statements are an integral part of this statement.

## City of Olmsted Falls, Ohio

### Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities Governmental Funds For the Year Ended December 31, 2019

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<b>Total Governmental Fund Balances</b>	\$	8,794,814
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*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.		31,072,623
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Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenues in the funds:

Delinquent Property taxes	120,846		
Municipal Income taxes	735,436		
Special Assessments	931,238		
Intergovernmental	331,774		
Charges for Services	635,425		
Total			2,754,719

In the Statement of Activities, interest is accrued on outstanding debt, whereas in Governmental funds, an interest expenditure is reported when due.		(120,764)
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The net pension liability/asset and net OPEB liability are not due and payable in the current period; therefore, the liability/asset and related deferred inflows/outflows are not reported in governmental funds:

Net Pension Asset	435		
Deferred Outflows - Pension	2,326,815		
Deferred Inflows - Pension	(422,349)		
Deferred Outflows - OPEB	559,547		
Deferred Inflows - OPEB	(232,961)		
Net OPEB Liability	(1,896,226)		
Net Pension Liability	(7,734,997)		
Total			(7,399,736)

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

OPWC Loan	(213,438)		
Bond Anticipation Notes	(1,380,000)		
OWDA Loans	(824,601)		
Capital Leases	(13,563)		
Ohio W&SRC Loan	(396,075)		
Compensated Absences	(342,429)		
Unamortized Premiums	(43,276)		
Notes payable	(7,110,000)		
Total			(10,323,382)

<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b>24,778,274</b>
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The notes to the basic financial statements are an integral part of this statement.

## City of Olmsted Falls, Ohio

### Statement of Revenues, Expenditures, and Changes in Fund Balances Governmental Funds For the Year Ended December 31, 2019

	General Fund	Sewer Debt Project 4	Sanitary Sewers	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property Taxes	\$ 504,080	\$ -	\$ -	\$ 1,242,394	\$ 1,746,474
Municipal Income Taxes	2,866,897	-	-	375,743	3,242,640
Intergovernmental	249,097	-	1,822,419	734,955	2,806,471
Investment Income	67,892	-	67,859	-	135,751
Licenses and Permits	282,439	-	-	-	282,439
Fines and Forfeitures	85,627	-	-	12,578	98,205
Charges for Services	914,515	-	-	223,151	1,137,666
Contributions and Donations	1,979	-	-	13,926	15,905
Special Assessments	-	58,261	-	198,864	257,125
All Other Revenues	10,287	-	-	11,378	21,665
<b>Total Revenues</b>	<b>4,982,813</b>	<b>58,261</b>	<b>1,890,278</b>	<b>2,812,989</b>	<b>9,744,341</b>
<b>EXPENDITURES</b>					
Security of Persons and Property	2,192,854	-	-	1,106,835	3,299,689
Public Health Services	625,718	-	-	46,255	671,973
Leisure Time Activities	-	-	-	185,215	185,215
Community Environment	279,491	-	-	88,959	368,450
Basic Utility Services	53,810	283	-	411,682	465,775
Transportation	389,610	-	-	788,353	1,177,963
General Government	1,183,228	-	-	22,369	1,205,597
Capital Outlay	-	-	2,712,236	353,349	3,065,585
Debt Service:					
Principal Retirement	19,403	56,907	1,500,000	848,199	2,424,509
Interest and Fiscal Charges	-	19,399	35,384	66,532	121,315
Bond Issuance Costs	-	-	19,492	1,828	21,320
<b>Total Expenditures</b>	<b>4,744,114</b>	<b>76,589</b>	<b>4,267,112</b>	<b>3,919,576</b>	<b>13,007,391</b>
Excess of Revenues Over (Under) Expenditures	<b>238,699</b>	<b>(18,328)</b>	<b>(2,376,834)</b>	<b>(1,106,587)</b>	<b>(3,263,050)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of Capital Assets	9,944	-	-	12,924	22,868
Bond Anticipation Notes Issued	-	-	6,500,000	610,000	7,110,000
Premium on Debt Issuance	-	-	86,320	8,101	94,421
Transfers In	-	-	-	171,000	171,000
Transfers Out	(171,000)	-	-	-	(171,000)
<b>Total Other Financing Sources (Uses)</b>	<b>(161,056)</b>	<b>-</b>	<b>6,586,320</b>	<b>802,025</b>	<b>7,227,289</b>
Net Change in Fund Balances	<b>77,643</b>	<b>(18,328)</b>	<b>4,209,486</b>	<b>(304,562)</b>	<b>3,964,239</b>
Fund Balances - Beginning of Year	1,575,153	(148,280)	850,661	2,553,041	4,830,575
<b>Fund Balances - End of Year</b>	<b>\$ 1,652,796</b>	<b>\$ (166,608)</b>	<b>\$ 5,060,147</b>	<b>\$ 2,248,479</b>	<b>\$ 8,794,814</b>

The notes to the basic financial statements are an integral part of this statement.

## City of Olmsted Falls, 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, 2019

**Net Change in Fund Balances - Total Governmental Funds** \$ 3,964,239

*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	3,057,313	
Depreciation	(650,100)	
Total	2,407,213	2,407,213

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

Delinquent Property taxes	(11,878)	
Municipal Income taxes	(11,050)	
Special Assessments	(129,339)	
Intergovernmental	45,961	
Charges for Services	(50,409)	
Total	(156,715)	(156,715)

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 the Notes and the related premium. (7,204,421)

Repayment of debt principal are expenditures in the Governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. 2,424,509

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

Pension	497,898	
OPEB	6,848	

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

Pension	(1,329,514)	
OPEB	2,425,968	

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	(20,660)	
Amortization of note premium	54,942	
Accrued interest	(92,780)	
Total	(58,498)	(58,498)

**Change in Net Position of Governmental Activities** \$ 2,977,527

The notes to the basic financial statements are an integral part of this statement.

## City of Olmsted Falls, Ohio

### Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund For the Year Ended December 31, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Property Taxes	\$ 467,794	\$ 500,820	\$ 504,080	\$ 3,260
Municipal Income Taxes	2,570,402	2,751,871	2,769,782	17,911
Charges for Services	843,868	903,445	909,324	5,879
Licenses and Permits	263,618	282,229	284,066	1,837
Fines and Forfeitures	88,867	95,141	95,760	619
Intergovernmental	220,978	236,579	238,119	1,540
Investment Income	63,005	67,453	67,892	439
All Other Revenues	29,389	31,464	31,669	205
<b>Total Revenues</b>	<u>4,547,921</u>	<u>4,869,002</u>	<u>4,900,692</u>	<u>31,690</u>
<b>Expenditures:</b>				
Current:				
Security of Persons and Property	2,274,028	2,357,852	2,214,831	143,021
Public Health Services	695,741	703,241	671,158	32,083
Leisure Time Activities	2,500	2,500	-	2,500
Community Environment	393,794	314,531	282,637	31,894
Basic Utility Services	59,635	49,635	58,490	(8,855)
Transportation	467,772	472,229	410,275	61,954
General Government	1,361,660	1,320,160	1,245,402	74,758
Debt Service:				
Principal	19,404	19,404	19,404	-
<b>Total Expenditures</b>	<u>5,274,534</u>	<u>5,239,552</u>	<u>4,902,197</u>	<u>337,355</u>
Excess of Revenues Over (Under) Expenditures	<u>(726,613)</u>	<u>(370,550)</u>	<u>(1,505)</u>	<u>369,045</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Capital Assets	-	9,944	9,944	-
Transfers Out	(173,000)	(171,000)	(171,000)	-
Advances Out	-	(39,000)	(39,000)	-
<b>Total Other Financings Sources (Uses)</b>	<u>(173,000)</u>	<u>(200,056)</u>	<u>(200,056)</u>	<u>-</u>
Net Change in Fund Balance	(899,613)	(570,606)	(201,561)	369,045
Fund Balance - Beginning of Year	370,073	370,073	370,073	-
Prior Year Encumbrances Appropriated	209,540	209,540	209,540	-
Fund Balance - End of Year	<u>\$ (320,000)</u>	<u>\$ 9,007</u>	<u>\$ 378,052</u>	<u>\$ 369,045</u>

The notes to the basic financial statements are an integral part of this statement

*City of Olmsted Falls, Ohio*

Statement of Fiduciary Assets and Liabilities  
Fiduciary Funds  
December 31, 2019

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 242,412
<b>Total Assets</b>	<u>\$ 242,412</u>
<b>LIABILITIES</b>	
Deposits Held and Due to Others	\$ 242,412
<b>Total Liabilities</b>	<u>\$ 242,412</u>

The notes to the basic financial statements are an integral part of this statement

# *City of Olmsted Falls, Ohio*

## Notes to the Basic Financial Statements For the Year Ended December 31, 2019

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### **Note 1: Description of City and Reporting Entity**

The City of Olmsted Falls, Cuyahoga County, (the City) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio.

The City was incorporated in 1851 and became a City in 1972. Under the City Charter adopted in July 1972, the City has an elected mayor-council form of government. Council is composed of seven members, three at large and one for each of the City's four wards, all elected for terms of two years. The Director of Law, Director of Finance, Safety Director, Service Director and Economic Development Director are appointed by the Mayor and confirmed by Council.

### **Reporting Entity**

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading.

The City as a primary government consists of all funds and the departments, which are not legally separate from the City. They include a police force, a fire fighting force, a mayor's court, a street maintenance force, planning and zoning departments, a park and recreation system and a staff to provide essential support to these service providers. The operation of each of these activities is directly controlled by the City Council through the budgetary process and is therefore included as part of the reporting entity. Included in the determination of the City's reporting entity is the Mayor's Court of Olmsted Falls (Court). The territorial jurisdiction of the Court is in the boundaries of the City and has been included in the City's financial statements as an agency fund. The Mayor is an elected official who has fiduciary responsibility for the collection and distribution of the court fees and fines.

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

The City is associated with six jointly governed organizations, the Northeast Ohio Public Energy Council, Chestnut Grove Union Cemetery, Joint Economic Development District, Southwest Council of Governments, the Southwest General Health Center, and Southwest Regional Communications Council of Government. A jointly governed organization is managed by representatives from each of the governments that create the organization, but there is no ongoing financial interest or responsibility on the part of the participating governments. These organizations are presented in Note 13.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 1: Description of City and Reporting Entity** (continued)

##### **Reporting Entity** (continued)

The Olmsted Falls City School and the Berea City School Districts service the boundaries of the City. Both are distinct political subdivisions of the State of Ohio and each is operated under an elected school board possessing its own budgetary and taxing authority. Accordingly, the school districts are not considered part of the City and their operations are not included within the accompanying financial statements.

The Cuyahoga County Public Library (the Library), located within the boundaries of the City, is a distinct political subdivision of the State of Ohio operated under the supervision of the Cuyahoga County Public Library District. The Library is not a component unit of the reporting entity and is not reflected within the accompanying financial statements.

Each year, the residents of Olmsted Falls are assessed, through a tax levy, for a portion of the general operating expenses of the Chestnut Grove Union Cemetery. For 2019, the amount paid to the Chestnut Grove Union Cemetery amounted to \$39,653. The residents are also assessed, through a tax levy, for a portion of the operating expenses of Southwest General Hospital. The amount paid in 2019 to Southwest General Hospital amounted to \$46,255. Both of these organizations exercise their own budgetary and financial management authority. Therefore, they are not considered part of the City and their operations are not reflected in the City's financial statements.

#### **Note 2: Summary of Significant Accounting Policies**

The financial statements of the City of Olmsted Falls 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 principles. The most significant of the City's accounting policies are described below.

##### **A. 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.



## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 2: Summary of Significant Accounting Policies** (continued)

##### **A. Basis of Presentation** (continued)

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

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

##### **B. 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. The City does not have proprietary funds.

*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 financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they may or must be used. The 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 Charter of the City of Olmsted Falls and/or the general laws of Ohio.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 2: Summary of Significant Accounting Policies** (continued)

##### **B. Fund Accounting** (continued)

*Sewer Debt Project 4 Fund* – This fund is used to account for special assessments and transfers that are utilized for the repayment of OWDA loans for a sewer project.

*Sanitary Sewers Fund* – This fund is used to record the construction and engineering expenses for the Phase 5 Sanitary Sewer project. It includes monies received from Olmsted Township and OPWC. Upon completion of the project, the expenses will be assessed to the affected residents for repayment.

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

*Fiduciary Funds* - Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City only has Agency funds. Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governments. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

##### **C. Measurement Focus**

*Government-Wide Financial Statements* - The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources along with all liabilities and deferred inflows of resources associated with the operation of the City are included on the Statement of Net Position. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net position.

*Fund Financial Statements* - All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources and current liabilities and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 2: Summary of Significant Accounting Policies** (continued)

##### **D. 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; fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred outflows/inflows of resources and in the presentation of expenses versus expenditures.

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax), fines and forfeitures, licenses and permits, interest, grants and entitlements, contributions and donations, and fees.

Deferred Outflows/Inflows of Resources – In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Note 14 and 15.

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 until that time.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 2: Summary of Significant Accounting Policies** (continued)

##### **D. Basis of Accounting** (continued)

For the City, deferred inflows of resources include property taxes, pension, OPEB, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of December 31, 2019, but which were levied to finance year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. 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 revenue, and charges for services. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 14 and 15)

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.

##### **E. Budgetary Process**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. All funds, other than the agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control is at the fund level and personal services for all funds. Any budgetary modifications at this level may only be made by resolution of the City Council. The Director of Finance is authorized to transfer appropriations between line items within a function or object of any department.

Tax Budget - At the last Council meeting in May, the Mayor presents the annual operating budget for the following year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1st to December 31st of the following year.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 2: Summary of Significant Accounting Policies** (continued)

##### **E. Budgetary Process** (continued)

*Estimated Resources* - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. Prior to December 31st, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations ordinance. On or about January 1st, the certificate of estimated resources is amended to include unencumbered fund balances at December 31st of the preceding year. The certificate may be further amended during the year if the Finance Director determines, and the Budget Commission agrees, that an estimate needs to be either increased or decreased. The budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect when the original and final appropriations were passed by Council.

*Appropriations* - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1st to March 31st. An annual appropriation ordinance must be passed by April 1st of each year for the period January 1st to December 31st. The appropriation ordinance fixes spending authority at the department level separated into the categories of salaries and wages, and other expenses. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations may not exceed current estimated resources, as certified. During the year, several supplemental appropriation measures were passed. The amounts reported as the budgeted amounts represent the original and final appropriation amounts passed by Council during the year.

*Encumbrances* - As part of formal budgetary control, purchase orders, contracts and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to constrain that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations. On the GAAP basis, encumbrances outstanding at year-end are reported as a component of fund balances for subsequent-year expenditures for the General Fund.

*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 year and is not reappropriated.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 2: Summary of Significant Accounting Policies** (continued)

##### **F. Cash and Cash Equivalents**

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Cash Equivalents."

Investments are reported at fair value which is based on quoted market prices. Non-participating contracts such as repurchasing agreements are reported at cost.

During fiscal year 2019, the City invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79 "Certain External Investment Pools and Pool Participants." The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value.

For 2019, 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.

The provisions of the Ohio Revised Code restrict investment procedures. Interest revenue credited to the General Fund during 2019 amounted to \$67,892 which includes \$63,627 assigned from other funds. Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

##### **G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expenditure in the year in which the services are consumed.

##### **H. Inventory**

Inventories are presented at cost on a first-in, first-out basis and are recorded as expenditures in the governmental funds when used. Inventory consists of expendable supplies held for consumption.

# City of Olmsted Falls, Ohio

## Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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### Note 2: Summary of Significant Accounting Policies (continued)

#### I. Capital Assets

General capital 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.

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 five thousand. The City's infrastructure consists of streets, sanitary sewers, bridges and traffic signals. Traffic signals acquired prior to January 1, 2002 are not reported. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Retro to December 31, 2004, the City has implemented a bridge infrastructure accounting of all bridges greater than a ten-foot span.

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

<u>Description</u>	<u>Estimated Lives</u>
Buildings	25 - 110 years
Improvements other than Buildings	10 - 50 years
Machinery, equipment and vehicles	5 - 75 years
Infrastructure	20 - 100 years

#### J. Interfund Balances

On fund financial statements, outstanding interfund loans and unpaid amounts for interfund services are reported as "interfund receivables/payables". Loans resulting from negative cash balances are reported as "due to /from other funds." Interfund balance amounts are eliminated in the statement of net position.

#### K. Compensated Absences

Holiday, personal, vacations and other leave balances are a use it or lose it policy. Individual exceptions are allowed to carry forward certain unused amounts into the next year. Generally, such requests are infrequent.

Sick leave benefits are accrued as a liability using the vesting method. The financial reporting policy for recognition of compensated absences of sick time is based upon all employees considered vested after one year of employment and eligible for termination cash out. Or, it is assumed that all hired employees will terminate employment from the city and be eligible for cash out of unused sick time based upon the allocation ratio in effect at the fiscal year-end.

## *City of Olmsted Falls, Ohio*

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019  
(Continued)

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### **Note 2: Summary of Significant Accounting Policies** (continued)

#### **L. 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.

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

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

#### **N. Fund Balance**

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

***Nonspendable*** The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

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



## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 2: Summary of Significant Accounting Policies** (continued)

##### **N. Fund Balance** (continued)

Enabling legislation authorizes the City to assess levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

**Committed** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

**Assigned** Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

**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 an expense is incurred for purposes for which both restricted and unrestricted net position are available.

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.

# *City of Olmsted Falls, Ohio*

## Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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### **Note 2: Summary of Significant Accounting Policies** (continued)

#### **O. Net Position**

Net Position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets.

Net position is reported as restricted when there are limitations imposed on their use either through constitutional provisions or enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes include resources restricted for police and fire related activities, parks, and computerization of the mayor's court. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

#### **P. Interfund Activity**

Transfers between governmental 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. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

#### **Q. 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. The City had neither type of transaction during 2019.

#### **R. 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.

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### Note 3: Changes in Accounting Principles and Restatement of Net Position

During the year, the City implemented Governmental Accounting Standards Board (GASB) Statements:

GASB Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statements information for certain component units. The implementation of this Statement did not have an effect on the financial statements of the City.

GASB Statement No. 95, *Postponement of the Effect Dates of Certain Authoritative Guidance*. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The City has postponed the implementation of GASB Statement No. 83, GASB Statement No. 84, and GASB Statement No. 88.

#### Note 4: Accountability and Compliance

##### A. Accountability

The following funds had a deficit fund balance at December 31, 2019:

	<u>Deficit</u>
<u>Major Governmental Funds</u>	
Sewer Debt Project 4 Fund	\$ 166,608
<u>Nonmajor Governmental Funds</u>	
Community Development Block Grant Fund	19,571
Storm Sewer	20,187
Street Lighting	8,990
Recreation Fund	5,245
Water Debt Project	83,591
Sewer Debt Project	127,361
Bakers Creek Bridge	33,860
Capital Improvement Fund	145,519
Main Street Parking Lot	95,792
Railroad Improvement Fund	20,000

These deficits resulted from the recognition of accrued liabilities. The General Fund is responsible to cover deficit fund balances by means of a transfer. However, this is done when cash is needed rather when accruals occur.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### **Note 4: Accountability and Compliance (Continued)**

#### **B. Compliance**

The City had the following negative cash balances at December 31, 2019, indicating that revenue from other sources was used to pay obligations, contrary to section 5705.10(H) of the Ohio Revised Code.

<u>Nonmajor Governmental Funds</u>	<u>Negative Cash Balance</u>
Water Debt Project	\$ 32,593
Sewer Debt Project	9,361
Main Street Parking Lot	95,792

The City had the following total expenditures in excess of total appropriations at December 31, 2019. These variances are contrary to section 5705.41 (B) of the Ohio Revised Code.

	<u>Final Appropriations</u>	<u>Total Expenditures</u>	<u>Variances</u>
<u>General Fund</u>			
Finance - Salaries & Wages	\$ 208,742	\$ 212,892	\$ (4,150)
Finance - Other Expenses	150,202	153,846	(3,644)
Law - Salaries & Wages	138,422	142,286	(3,864)
Administration - Salaries & Wages	370,471	374,276	(3,805)
Engineering - Other Expenses	15,000	23,855	(8,855)
<u>Storm Sewer Maintenance &amp; Repair</u>			
Salaries & Wages	50,000	53,435	(3,435)
Other Expenses	123,742	165,693	(41,951)
<u>Capital Improvement Fund</u>			
Other Expenses	941,761	946,399	(4,638)

In contrary to section 5705.39 of the Ohio Revised Code, the General Fund original budget had appropriations exceed estimated resources in the amount of \$320,000.

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 5: Fund Balances

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

	General	Sewer Debt Project 4	Sanitary Sewers	Other Governmental Funds	Total
<i>Nonspendable</i>					
Prepaid Items	\$ 93,492	\$ -	\$ -	\$ -	\$ 93,492
Inventories	363	-	-	6,906	7,269
Loan Receivable	213,438	-	-	-	213,438
<b>Total Nonspendable</b>	<b>307,293</b>	<b>-</b>	<b>-</b>	<b>6,906</b>	<b>314,199</b>
<i>Restricted</i>					
Road Improvements	-	-	-	744,751	744,751
Police and Fire Departments	-	-	-	216,301	216,301
Drug and Alcohol Enforcement	-	-	-	108	108
Juvenile Diversion	-	-	-	12,612	12,612
Law Enforcement	-	-	-	68,085	68,085
Sanitary Sewer Improvements	-	-	5,060,147	854,277	5,914,424
Shade Trees	-	-	-	15,134	15,134
DARE Gift	-	-	-	84	84
Capital Improvements	-	-	-	556,897	556,897
Jenkins	-	-	-	5,338	5,338
Park	-	-	-	129,202	129,202
Covered Bridge	-	-	-	12,133	12,133
FEMA	-	-	-	24,434	24,434
Cemetery	-	-	-	7,372	7,372
Southwest Hospital	-	-	-	8,254	8,254
Debt Service Payments	-	-	-	111,121	111,121
<b>Total Restricted</b>	<b>-</b>	<b>-</b>	<b>5,060,147</b>	<b>2,766,103</b>	<b>7,826,250</b>
<i>Committed</i>					
Compensated Absences	62,880	-	-	-	62,880
<b>Total Committed</b>	<b>62,880</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>62,880</b>
<i>Assigned</i>					
Fiscal Year 2020 Appropriations	222,692	-	-	-	222,692
Safety Forces	19,965	-	-	-	19,965
Refuse	293	-	-	-	293
Economic Development	1,781	-	-	-	1,781
Streets	18,419	-	-	-	18,419
General Government	22,224	-	-	-	22,224
Park Operations	-	-	-	35,586	35,586
<b>Total Assigned</b>	<b>285,374</b>	<b>-</b>	<b>-</b>	<b>35,586</b>	<b>320,960</b>
<i>Unassigned (Deficit)</i>					
	997,249	(166,608)	-	(560,116)	270,525
<b>Total Fund Balance</b>	<b>\$ 1,652,796</b>	<b>\$ (166,608)</b>	<b>\$ 5,060,147</b>	<b>\$ 2,248,479</b>	<b>\$ 8,794,814</b>

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (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 treasury. Such monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts. Inactive deposits are monies identified as not required for use within the current five-year period of designation of depositories.

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

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

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

1. United States Treasury 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 agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily;
4. Investment grade obligations of state and local governments, and public authorities;
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; and,
6. The State Treasurer's investment pool (STAR Ohio).

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 6: Deposits and Investments** (continued)

The City may also invest any monies not required to be used for a period of 6 months or more in the following:

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

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

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 deposited with the City 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.

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

#### **A. Deposits with Financial Institutions**

Based on criteria described in GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, as of December 31, 2019, \$500,000 of the City's bank balance of \$3,606,466 was covered by Federal Depository Insurance and \$2,596,916 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name, and \$509,550 was uninsured and uncollateralized. One of the two 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.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 6: Deposits and Investments (continued)

##### A. Deposits with Financial Institutions (continued)

Custodial credit risk is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside entity. As required by Ohio Revised Code, the City's deposits should either be insured or be protected by:

Eligible securities pledged to the City and deposited with a qualified trustee by a financial institution as security for repayment whose fair value at all times should be at least 105 percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total fair value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

##### B. Investments

As of December 31, 2019, the City had the following investments:

	Net Asset Value	Credit Rating	Investment Maturities (in Years) <1
<u>Investment Type:</u>			
StarOhio	\$ 6,546,936	AAAm	\$ 6,546,936
Total Investments	6,546,936		\$ 6,546,936

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 has categorized 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.

Interest Rate Risk – Interest rate risk arises because potential purchasers of debt securities will not agree to pay face value for those securities if interest rates subsequently increase. The City's investment policy addresses interest rate risk requiring that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, thereby avoiding that need to sell securities on the open market prior to maturity and by investing operating funds primarily in short-term investments. The City investment policy also limits security purchases to those that mature five years unless specifically matched to a specific cash flow. To date, no investments have been purchased with a life greater than two years.



## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 6: Deposits and Investments (continued)

##### B. Investments (continued)

*Credit Risk* -The City's investment policy addresses credit risk by requiring that all investments are authorized by Ohio Revised Code and that portfolio be diversified both by types of investment and issuer.

The credit ratings of the City's investments are provided in the table on the previous page and are rated by Standard & Poor's.

*Concentration of Credit Risk*- The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2019:

<u>Investment Type:</u>	<u>Measurement Value</u>	<u>Percent of Total</u>
StarOhio	\$ 6,546,936	100%
Total Investments	<u>\$ 6,546,936</u>	

*Reconciliation of Cash and Investment to the Statement of Net Position* – The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2019.

<u>Cash and Investments</u>	
Carrying amount of deposits	\$ 2,817,888
Investments	6,546,936
Total	<u>\$ 9,364,824</u>
 Cash and Investments per Statement of Net Position	
Governmental Activities	\$ 9,122,412
Fiduciary Funds	242,412
Total	<u>\$ 9,364,824</u>

#### Note 7: Interfund Transfers and Balances

##### A. Interfund Transfers

Transfers are used to move revenues 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.

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 7: Interfund Transfers and Balances (continued)

##### A. Interfund Transfers (continued)

Interfund transfers for the year ended December 31, 2019, consisted of the following:

Transfer To	Transfer From
Other Governmental Funds	General Fund
	\$ 171,000

The City transferred funds from the General Fund to both Police and Fire Pension Funds, \$80,000 and \$91,000, respectively, to cover the cost of their respective pension costs, and the remaining transfers from the General Fund were made to provide additional resources for current operations.

##### B. Interfund Balances

Interfund loans consisted of the following amounts “interfund receivable/payable” at December 31, 2019, as reported on the fund financial statements.

Fund	Receivable	Payable
General	\$ 571,216	\$ -
Sewer Debt Project 4	-	181,777
Sanitary Sewers	-	70,000
Other Governmental Funds	532,054	851,493
Total	\$ 1,103,270	\$ 1,103,270

The primary purpose of the interfund balances is to cover costs in specific funds where anticipated revenues were not received. These interfund balances will be repaid once the anticipated revenues are received. All interfund balance are expected to be repaid within one year. Interfund balances at December 31, 2019 consisted of \$571,216 due to the General Fund, with \$95,792 due from the Main Street Parking Lot Fund, \$181,777 due from the Sewer Debt Project 4 Fund, \$19,570 due from the Community Development Block Grant Fund, \$8,000 due from the Recreation Fund, \$20,000 due from the Railroad Improvements Fund, \$70,000 due from the Sanitary Sewers Fund, \$3,123 due from the OWDA Debt Service Fund, \$60,593 due from the Water Debt Project Fund, and \$20,361 due from the Sewer Debt Fund. In addition, the General Fund also has outstanding manuscript debt in the amount of \$92,000 and the Railroad Grade Separation Fund has outstanding manuscript debt in the amount of \$368,000 to fund roof replacement project in the Capital Improvement Fund. Capital Improvement Fund had an interfund balance of \$76,000, with \$42,000 due from the Sewer Debt Project Fund and \$34,000 due from the Bakers Creek Bridge Fund. Capital Improvement Sanitary Fund advanced \$23,053 to the Water Debt Project Fund. Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances at December 31, 2019 are reported on the statement of net position.

# City of Olmsted Falls, Ohio

## Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

### Note 8: Receivables

Receivables at December 31, 2019, consisted of municipal income taxes, property taxes, accounts, due from other governments, loans, and special assessments. All receivables are considered fully collectible.

#### A. Property Taxes

Property taxes include amounts levied against all real, public utility and tangible personal property located in the City. Property tax revenue received during 2019 for real and public utility property taxes represents collections of the 2018 taxes. Property tax payments received during 2019 for tangible personal property (other than public utility property) are for 2018 taxes.

2018 real property taxes are levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits later payment dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2020 public utility property taxes which became a lien December 31, 2019, are levied after October 1, 2019, and are collected in 2019 with real property taxes.

The full tax rate applied to real property for the fiscal year ended December 31, 2019 was \$12.65 for \$1,000 of assessed valuation. The assessed values of real and tangible personal property, upon which 2019 property tax receipts were based, are as follows:

<u>Property Category</u>	<u>Assessed Value</u>	<u>Percent</u>
<u>Real Property</u>		
Residential and agricultural	\$189,703,720	87.77
Commercial and industrial	20,686,770	9.57
<u>Tangible Personal Property</u>		
Public utilities	5,755,270	2.66
Total	<u>\$216,145,760</u>	<u>100.00</u>

The Cuyahoga County Fiscal Officer collects property taxes on behalf of all taxing districts in the County, including the City. The County Fiscal Officer periodically remits to the City its portion of the taxes. Property taxes receivable represents real property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2019 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 current taxes were not levied to finance 2019 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue is deferred.

# City of Olmsted Falls, Ohio

## Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

### Note 8: Receivables (continued)

#### B. Income Taxes

The City levies an income tax of 1.50% on substantially all income earned within the City. In addition, residents of the City are required to pay City income tax on income earned outside the City; however, a tax credit of up to .75% is allowed for income taxes paid to other municipalities. Employers within the City are required to withhold income tax on employee earnings and remit the tax at least quarterly to the Regional Income Tax Agency, who administers the City's income tax collections. Corporations and other individual taxpayers are also required to pay their estimated tax at least quarterly and file a final return annually.

By City Ordinance, income taxes shall be deposited in the General Fund, except that ten percent and two percent of such collections shall be deposited annually in the Capital Improvement Fund and the Capital Improvement Service Equipment Fund, respectively.

#### C. Intergovernmental Receivable

A summary of intergovernmental receivables as of December 31, 2019, follows:

Revenue Description	Amount
Cents Per Gallon and Excise Tax	\$ 225,851
Homestead and Rollback	131,410
Local Government	63,628
Motor Vehicle Tax	20,531
Permissive Tax	5,052
Grants	32,765
Miscellaneous	20,850
Total Intergovernmental Receivable	<u>\$ 500,087</u>

#### D. Loan Receivable

The City is reporting a long-term loan receivable related to the Westlawn/Lindbergh Sewer project. During 2006, the Cities of Olmsted Falls and Berea entered into an agreement that involves the construction of sanitary and storm sewers in the Westlawn/Lindbergh area. As part of this agreement, the City has entered into a loan agreement with the Ohio Public Works Commission (OPWC) in the amount of \$388,070 to help fund some of the construction costs. Although the City of Olmsted Falls is obligated for the entire loan amount, the agreement between the Cities obligates the City of Berea to make annual debt service payments to the City of Olmsted Falls and the City of Olmsted Falls makes the payment to the OPWC.

As of December 31, 2019, the full amount of the loan has been "drawn down", thus creating a long-term OPWC loan payable by the City (See Note 10). A corresponding long-term loan receivable has been reported in the City's financial statements in the amount of \$213,438, which represents the amount owed by the City of Berea to the City. This loan is classified as a loan receivable, considered collectible in full, and is expected to be collected in more than one year. The loan receivable on the modified statement is offset by nonspendable fund balance.

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 9: Capital Assets

Capital asset activity for Governmental Activities for the year ended December 31, 2019:

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019
<b><u>Governmental Activities</u></b>				
Capital Assets, not being depreciated:				
Land	\$ 1,452,797	\$ 7,500	\$ -	\$ 1,460,297
Construction in Progress	2,570,117	2,696,701	-	5,266,818
Total Capital Assets Not Being Depreciated	<u>4,022,914</u>	<u>2,704,201</u>	<u>-</u>	<u>6,727,115</u>
Capital Assets, being depreciated:				
Buildings	7,261,918	-	-	7,261,918
Improvements other than buildings	1,245,821	49,314	-	1,295,135
Machinery, equipment, and vehicles	4,331,301	303,798	-	4,635,099
Infrastructure				
Traffic Signals	419,817	-	-	419,817
Bridges	11,786,551	-	-	11,786,551
Roads	1,810,494	-	-	1,810,494
Sanitary Sewers	4,234,365	-	-	4,234,365
Total Capital Assets, being Depreciated	<u>31,090,267</u>	<u>353,112</u>	<u>-</u>	<u>31,443,379</u>
Less Accumulated Depreciation:				
Buildings	(1,193,215)	(99,032)	-	(1,292,247)
Improvements other than buildings	(228,162)	(55,153)	-	(283,315)
Machinery, equipment, and vehicles	(2,697,990)	(223,049)	-	(2,921,039)
Infrastructure				
Traffic Signals	(89,191)	(8,397)	-	(97,588)
Bridges	(864,655)	(117,487)	-	(982,142)
Roads	(750,527)	(90,524)	-	(841,051)
Sanitary Sewers	(624,031)	(56,458)	-	(680,489)
Total Accumulated Depreciation	<u>(6,447,771)</u>	<u>(650,100)</u> *	<u>-</u>	<u>(7,097,871)</u>
Total Capital Assets, being Depreciated, Net	<u>24,642,496</u>	<u>(296,988)</u>	<u>-</u>	<u>24,345,508</u>
Governmental Activities Capital Assets, Net	<u>\$ 28,665,410</u>	<u>\$ 2,407,213</u>	<u>\$ -</u>	<u>\$ 31,072,623</u>

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

Security of Persons and Property	\$ 143,140
Basic Utility Services	56,458
Leisure Time Activities	11,528
Transportation	341,282
General Government	97,692
Total Depreciation Expense	<u>\$ 650,100</u>

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 10: Long-Term Obligations

The City had the following activity in long-term obligations during 2019:

	Balance 12/31/2018	Increase	Decrease	Balance 12/31/2019	Amount Due In a Year
<b>General Obligation Bonds:</b>					
1.99% Building Improvement Bonds, Series 2016	\$ 1,490,000	\$ -	\$ (110,000)	\$ 1,380,000	\$ 110,000
Total General Obligation Bond Liabilities	1,490,000	-	(110,000)	1,380,000	110,000
1998 Ohio Water and Sewer Rotary Commission Loan	396,075	-	-	396,075	-
<b>Ohio Water Development Authority Loans (OWDA):</b>					
1995 Water Mains 6.56%	30,589	-	(30,589)	-	-
1995 Sanitary Sewers 4.35%	84,481	-	(84,481)	-	-
2002 Sanitary Sewers 3.95%	217,482	-	(29,968)	187,514	31,163
2002 Storm Sewers 5.70%	38,274	-	(5,018)	33,256	5,308
2009 Sanitary Sewers 3.25	660,738	-	(56,907)	603,831	58,771
Subtotal OWDA Loans	1,031,564	-	(206,963)	824,601	95,242
2006 Ohio Public Works Commission 0.00%	232,841	-	(19,403)	213,438	19,403
<b>Long-Term Notes</b>					
2018 City Building Improvement Notes 2.375%	440,000	-	(440,000)	-	-
2018 Acquisition of Real Estate Notes 2.375%	135,000	-	(135,000)	-	-
2018 Sanitary Sewerage System Notes 2.375%	1,500,000	-	(1,500,000)	-	-
Note Premium	3,797	-	(3,797)	-	-
2019 City Building Improvement Notes 2.996%	-	400,000	-	400,000	400,000
2019 Acquisition of Real Estate Notes 2.996%	-	125,000	-	125,000	125,000
2019 Sanitary Sewerage System Notes 2.996%	-	6,500,000	-	6,500,000	6,500,000
2019 Street Service Vehicle Notes 2.996%	-	85,000	-	85,000	85,000
Note Premium	-	94,421	(51,145)	43,276	-
Total Long-Term Notes	2,078,797	7,204,421	(2,129,942)	7,153,276	7,110,000
<b>Net Pension Liability</b>					
OPERS	1,810,402	1,300,050	-	3,110,452	-
OP&F	3,433,923	1,190,622	-	4,624,545	-
Total Net Pension Liability	5,244,325	2,490,672	-	7,734,997	-
<b>Net OPEB Liability</b>					
OPERS	1,237,956	142,339	-	1,380,295	-
OP&F	3,170,066	-	(2,654,135)	515,931	-
Total Net OPEB Liability	4,408,022	142,339	(2,654,135)	1,896,226	-
<b>Other Long-Term Liabilities:</b>					
Capital Leases	26,706	-	(13,143)	13,563	13,563
Compensated Absences	321,769	66,963	(46,303)	342,429	13,274
Total Other Long-Term Liabilities	348,475	66,963	(59,446)	355,992	26,837
Total Long-Term Obligations	\$ 15,230,099	\$ 9,904,395	\$ (5,179,889)	\$ 19,954,605	\$ 7,361,482

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 10: Long-Term Obligations** (continued)

Ohio Water and Sewer Rotary Commission (W&SRC) -The City obtained resources from the Ohio Water and Sewer Rotary Commission during fiscal year 1998 to pay for the cost of improvements contained within an Agricultural District within the City. The collections of special assessments within an agricultural district are exempt under the terms of Ohio Revised Code Section 929.03. The full amount of the assessment for the portion of the property, for which the use has changed, pursuant to the Revised Code, is due within ten days and must be repaid by the City regardless of whether the City has collected the full amount from property owners at that time. No part of the Ohio Water and Sewer Rotary Commission debt is due until use has changed per the requirements of the law.

The amount of filing and unbilled special assessments for the improvements within the Agricultural District was \$396,075. There was no change in the status of the parcels for the year ended December 31, 2019.

Ohio Water Development Authority (OWDA) - The City has obtained loans from OWDA for water and sewer line extension in fiscal years 1995. The sewer projects have been mandated by the Ohio environmental Protection Agency. These loans were paid from the debt service funds using special assessments levied against benefited property owners. As of December 31, 2019, these loans were paid in full.

In the event that a property owner would fail to pay the assessment, the City would make payment. These loans are paid for from various debt service funds.

During fiscal year 2002, the City obtained two loans from OWDA. One loan is for the construction of storm sewer lines. The second loan is for the construction of sanitary sewer lines, the dismantling of a primary treatment plant and conversion to a pump station. These loans are paid for from the Debt Service Funds.

During fiscal year 2009, the City obtained a loan from OWDA. This loan is for the construction of sanitary sewer lines. This loan is paid for from the Sewer Debt Project 4 Fund.

Ohio Public Works Commission (OPWC) – During 2006, the Cities of Olmsted Falls and Berea entered into an agreement that involves the construction of sanitary and storm sewers in the Westlawn/Lindbergh area. As part of this agreement, the City has entered into a loan agreement with the Ohio Public Works Commission (OPWC) in the amount of \$388,070 to help fund some of the construction costs. Although the City of Olmsted Falls is obligated for the entire loan amount, the agreement between the Cities obligates the City of Berea to make annual debt service payments to the City of Olmsted Falls and the City of Olmsted Falls makes the payment to the OPWC.

In 2010 the City entered into a loan in the amount of \$507,681 and grant in the amount of \$2,083,379 with OPWC for the Columbia/Cook Sanitary Sewer Phase V project. No monies have been spent or drawn down for the loan portion but the City drew down \$1,011,126 from the grant portion.

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 10: Long-Term Obligations (continued)

General Obligation Bond - In 2016, the City issued \$1,700,000 of general obligation bonds for the purpose of paying costs of construction, furnishing, equipping and otherwise improving a new Service Department building. The fifteen-year bonds will be repaid with twenty-nine payments commencing December 1, 2016. The bonds will be repaid from the Capital Improvement Fund.

Long-Term Notes Payable – In 2019, the City issued \$7,110,000 in bond anticipation notes for various purposes. The City issued \$6,500,000, of which \$1,500,000 was rolled over from previous year, for the purpose of continuing to fund the Columbia/Cook road construction project. \$525,000 was rollover over from prior year notes for purpose of funding the City Building Renovation and City Hall additions. \$85,000 was issued for the purpose of purchasing a vehicle for the service department. The \$7,110,000 of the notes was roll-over on June 11, 2020. See Note 19 for additional information. The notes will be paid from the State Highway Fund, Streets Construction, Maintenance, and Repair Fund, Sewer Debt Project 4 Fund, Capital Improvement Fund, and Capital Improvement Service Equipment Fund.

Compensated Absences - Compensated absences will be paid from the fund from which the employee's salary is paid.

Net Pension Liability/(Asset) and Net OPEB Liability – The City pays obligations related to employee compensation from the fund benefiting from their service. There is no repayment schedule for the Net Pension/OPEB Liability. However, employer pension/OPEB contributions are made from the following funds; the General Fund, Street Construction, Maintenance, and Repair Fund, Park Maintenance Fund, Storm Sewer Maintenance and Repair Fund, Shade Tree Assessment Fund, Sewer Operation, Maintenance and Repair Fund.

The City's overall legal debt margin was \$20,081,066 and an unvoted debt margin of \$9,273,778 at December 31, 2019.

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

Year	GO Bonds		OWDA Loans		OPWC Loans	Total	
	Principal	Interest	Principal	Interest	Principal	Principal	Interest
2020	110,000	27,462	95,242	24,350	19,403	224,645	51,812
2021	115,000	25,273	98,719	21,413	19,404	233,123	46,686
2022	120,000	22,985	102,323	18,368	19,403	241,726	41,353
2023	120,000	20,596	106,066	15,210	19,404	245,470	35,806
2024	125,000	18,209	109,947	11,935	19,403	254,350	30,144
2025-2029	650,000	53,332	312,304	20,299	97,017	1,059,321	73,631
2030-2030	140,000	2,786	-	-	19,404	159,404	2,786
	<u>\$ 1,380,000</u>	<u>\$ 170,643</u>	<u>\$ 824,601</u>	<u>\$ 111,575</u>	<u>\$ 213,438</u>	<u>\$ 2,418,039</u>	<u>\$ 282,218</u>



## *City of Olmsted Falls, Ohio*

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019  
(Continued)

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### **Note 11: Capital Leases**

In 2014, the City entered into an agreement for a compact wheel loader.

The capital assets acquired by the leases have been capitalized and depreciated as follows as of December 31, 2019:

	<u>Governmental Activities</u>
Capital Leases, being depreciated:	
Vehicles	\$ 86,554
Less Accumulated Depreciation:	
Vehicles	<u>(51,932)</u>
Capital Leases, Net	<u><u>\$ 34,622</u></u>

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2019.

<u>Year</u>	<u>Payment</u>
2020	\$ 13,998
	<u>13,998</u>
Less Interest	<u>(435)</u>
Future Minimum Lease	<u><u>\$ 13,563</u></u>

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 12: Risk Management

The City of Olmsted Falls is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and injuries to employees. During 2019, the City contracted through the Arthur J. Gallagher & Co. for various types of insurance as follows:

Company	Type	Coverage
Argo Group	Building and Property (including Boiler and Machinery)	\$ 14,440,645
	Inland Marine	790,336
	Flood	1,000,000
	Earthquake	1,000,000
	General Liability	3,000,000
	Public Officials Liability	1,000,000
	Employment Practice Liability	1,000,000
	Law Enforcement Liability	1,000,000
	Electronic Data Processing	1,000,000
	Theft, Disappearance & Destruction	25,000
	Employee Dishonesty	50,000
	Forgery and Alteration	50,000
	Computer Fraud	50,000
	Fire Damage Liability	100,000
	Ohio Stop Gap Liability	1,000,000
	Employee Benefits Liability	3,000,000
	Automobile Liability	1,000,000
	Automobile Medical Payments	5,000
	Uninsured Motorist Liability	100,000
	Umbrella Liability	10,000,000
	Cyber Liability	1,000,000

The City carries commercial insurance coverage for all risks. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years and there were no significant reductions in coverage from the prior year. Workers' Compensation coverage is provided by the State. The City pays the Ohio Bureau of 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 13: Jointly Governed Organizations

##### A. Northeast Ohio Public Energy Council (NOPEC)

The City is a member of the Northeast Ohio Public Energy Council (NOPEC). NOPEC is a Regional Council of Governments formed under Chapter 167 of the Ohio Revised Code. NOPEC was formed to serve as a vehicle for communities wishing to proceed jointly with an aggregation program for the purchase of electricity. NOPEC is currently comprised of over 220 communities who have been authorized by ballot to purchase electricity on behalf of their citizens. The intent of NOPEC is to provide electricity at the lowest possible rates while at the same time insuring stability in prices by entering into long-term contracts with suppliers to provide electricity to the citizens of its member communities.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 13: Jointly Governed Organizations** (Continued)

##### **A. Northeast Ohio Public Energy Council (NOPEC)** (Continued)

NOPEC is governed by a General Assembly made up of one representative from each member community. The representatives from each county then elect one person to serve on the eight-member NOPEC Board of Directors. The Board oversees and manages the operation of the aggregation program. The degree of control exercised by any participating government is limited to its representation in the General Assembly and on the Board. The City of Olmsted Falls did not contribute to NOPEC during 2018. Financial information can be obtained by contacting Roy McVoy, Board Chairman, 31360 Solon Road, Suite 33, Solon, Ohio 44139.

##### **B. Chestnut Grove Union Cemetery**

The Chestnut Grove Union Cemetery (The Cemetery) is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Cemetery provides burial grounds and burial services to the public. The Cemetery is a jointly governed organization between the City of Olmsted Falls and Olmsted Township.

A joint council consisting of the council members of Olmsted Falls and the Trustees of Olmsted Township governs the Cemetery. The joint council elects and appoints the members of the Board of Trustees. The members of the Board of Trustees consist of the following: one elected member of the legislative body from each of the political subdivisions and one appointed resident from either of the political subdivisions who is not a member of the legislative body. The joint council exercises control over the operation of the Cemetery through budgeting, appropriating and contracting. The Board of Trustees control daily operations of the Cemetery. During 2019, the City contributed \$39,653 to the Chestnut Grove Union Cemetery.

##### **C. Joint Economic Development District**

The City of Olmsted Falls and Olmsted Township, in an effort to promote growth and economic development, and in accordance with state law, entered into a contract to create the Olmsted Joint Economic Development District (JEDD). The legislative authorities of the City and Township each authorized and directed authorization to enter into a contract for the JEDD. The JEDD was incorporated on September 7, 2001 and JEDD activities-initiated December 15, 2001.

A Board of Directors governs the JEDD. The Board is composed of the following members: (a) one member representing the City, appointed by the Mayor and approved by the City Council; (b) one member representing the Township, appointed by the Township Trustees; and (c) one member selected by the two members listed. The Board exercises control over the operation of JEDD through budgeting, appropriations, contracting and designating management. The control by the city and township is limited to the representation on the board. During 2019, no contributions were made by the City.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 13: Jointly Governed Organizations** (continued)

##### **D. 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 nineteen participating entities. The Board exercises total control over the operation of the Council, which includes budgeting, appropriating, contracting, and designating management. The Board adopts an annual budget. 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. During 2019, no contributions were made by the City to the Southwest Council of Governments. The Council's financial reports may be obtained by contacting Dana Kavender, Secretary-Treasurer, 11 Berea Commons, Berea, Ohio 44017.

##### **E. Southwest General Health Center**

The Southwest General Health Center is an Ohio non-profit corporation providing health services among the communities of Berea, Brook Park, Columbia Township, Middleburg Heights, Olmsted Falls and Strongsville.

The Health Center is governed by a Board of Trustees comprised of the following: one member of the legislative body from each of the member political subdivisions, one resident from each of the member political subdivisions who is not a member of the legislative body, three persons who are residents of any of the member political subdivisions, the president and the vice president of the corporations, and the president and the vice president of the medical staff. The legislative body of each political subdivision elects their own member to serve on the Board of Trustees of the Health Center.

The Board exercises total control over the operations of the Health Center, including budgeting, appropriating, contracting and designating management. Each City's control is limited to its representation on the Board. During 2019, the City contributed \$46,255 to the Health Center.

##### **F. Southwest Regional Communications**

The Southwest Regional Communications is a jointly-governed organization between the City and seven other communities. Formed as a Regional Council of Governments as permitted under Ohio Revised Code Section 167.01, the intent of the organization is to establish, own, operate, maintain, and administer, a regional communications network for public safety and public service purposes for the mutual benefit of the participating communities. This organization is controlled by a governing body consisting of each participating community's mayor or his/her delegate or representative. The degree of control exercised by any member is limited to its representation on the governing board.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 13: Jointly Governed Organizations** (continued)

##### **F. Southwest Regional Communications** (Continued)

All members agree to contribute the sums of money on a shared basis as agreed per the requirements set forth in the Articles of Understanding. In accordance with GASB Statement No. 14 and amended by GASB Statement No. 61, the City does not have an equity interest in the organization. In 2019, the City of Olmsted Falls contributed \$29,174 to the organization. Financial information may be obtained by contacting Martin S. Healy, 17401 Holland Road, Brook Park, Ohio 44142, or by email at [healymwcc@gmail.com](mailto:healymwcc@gmail.com).

#### **Note 14 - Defined Benefit Pension Plans**

##### **A. Net Pension Liability/Asset**

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/asset 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/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

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.

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 14 - Defined Benefit Pension Plans (Continued)

##### B. Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees 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. City 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. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS' CAFR referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
<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 62 with 60 months of service credit or Age 57 with 25 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. The base amount of a member's pension benefit is locked in upon receipt of the initial benefit payment for calculation of the annual cost-of-living adjustment.

## *City of Olmsted Falls, Ohio*

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019  
(Continued)

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### **Note 14 - Defined Benefit Pension Plans** (Continued)

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

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

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

Funding Policy - The Ohio Revised Code (ORC) provides statutory City for member and employer contributions on the following page:

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 14 - Defined Benefit Pension Plans (Continued)

#### B. Plan Description – Ohio Public Employees Retirement System (OPERS) (Continued)

	State and Local
<b>2019 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee *	10.0 %
<b>2019 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 combined plan are not used to fund the defined benefit retirement allowance

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contributions was \$209,322 for fiscal year ending December 31, 2019.

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

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report 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 Olmsted Falls, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019  
(Continued)

**Note 14 - Defined Benefit Pension Plans** (Continued)

**C. 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 participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the members' base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
<b>2019 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
 <b>2019 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 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$288,576 for 2019.

**City of Olmsted Falls, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019  
(Continued)

**Note 14 - Defined Benefit Pension Plans (Continued)**

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

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

	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	0.011540%	0.022006%	0.025780%	0.030171%	
Proportion of the Net Pension Liability/Asset Current Measurement Date	0.011357%	0.000389%	0.027360%	0.029295%	
Change in Proportionate Share	<u>-0.000183%</u>	<u>-0.021617%</u>	<u>0.001580%</u>	<u>-0.000876%</u>	
Proportionate Share of the Net Pension Liability/(Asset)	\$ 3,110,452	\$ (435)	\$ 2,233,299	\$ 2,391,246	\$ 7,734,562
Pension Expense	\$ 764,828	\$ 1,836	\$ 261,065	\$ 301,785	\$ 1,329,514

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**City of Olmsted Falls, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019  
(Continued)

**Note 14 - Defined Benefit Pension Plans (Continued)**

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

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

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	OP&F Police	OP&F Fire	Total
<b>Deferred Outflows of Resources</b>					
Net difference between projected and actual earnings on pension plan investments	\$ 422,173	\$ 92	\$ 275,141	\$ 294,599	\$ 992,005
Differences between expected and actual experience	144	-	91,758	98,246	190,148
Changes of assumptions	270,772	98	59,208	63,395	393,473
Changes in proportion and differences between City contributions and proportionate share of contributions	9,653	16,881	123,768	102,989	253,291
City contributions subsequent to the measurement date	209,322	-	140,358	148,218	497,898
<b>Total Deferred Outflows of Resources</b>	<b>\$ 912,064</b>	<b>\$ 17,071</b>	<b>\$ 690,233</b>	<b>\$ 707,447</b>	<b>\$ 2,326,815</b>
<b>Deferred Inflows of Resources</b>					
Differences between expected and actual experience	\$ 40,843	\$ 179	\$ 2,087	\$ 2,231	\$ 45,340
Changes in proportion and differences between City contributions and proportionate share of contributions	32,702	2,314	190,841	151,152	377,009
<b>Total Deferred Inflows of Resources</b>	<b>\$ 73,545</b>	<b>\$ 2,493</b>	<b>\$ 192,928</b>	<b>\$ 153,383</b>	<b>\$ 422,349</b>

\$497,898 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Pension Plan	OPERS Combined Pension Plan	OP&F Police	OP&F Fire	Total
Year Ending December 31:					
2020	\$ 267,558	\$ 1,729	\$ 96,002	\$ 125,050	\$ 490,339
2021	126,134	1,711	35,838	60,631	224,314
2022	39,164	1,711	62,273	67,897	171,045
2023	196,341	1,741	149,950	141,155	489,187
2024	-	1,699	12,884	11,113	25,696
Thereafter	-	5,987	-	-	5,987
<b>Total</b>	<b>\$ 629,197</b>	<b>\$ 14,578</b>	<b>\$ 356,947</b>	<b>\$ 405,846</b>	<b>\$ 1,406,568</b>

# City of Olmsted Falls, Ohio

## Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

### Note 14 - Defined Benefit Pension Plans (Continued)

#### E. 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, 2018, 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. 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 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

The total pension asset in the December 31, 2018, 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	7.2 percent
Actuarial Cost Method	Individual Entry Age

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

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 14 - Defined Benefit Pension Plans (Continued)

##### E. Actuarial Assumptions – OPERS (Continued)

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.

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 was at a loss of 2.94 percent for 2018.

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 on the following page displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return.

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

**Discount Rate** The discount rate used to measure the total pension liability was 7.2 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 Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 14 - Defined Benefit Pension Plans (Continued)

##### E. Actuarial Assumptions – OPERS (Continued)

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

City’s proportionate share of the net pension liability/(asset)	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Traditional Pension Plan	\$ 4,595,042	\$ 3,110,452	\$ 1,876,744
Combined Plan	\$ (144)	\$ (435)	\$ (646)

##### F. Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2018 is based on the results of an actuarial valuation date of January 1, 2018, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

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

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.00 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple, 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

## *City of Olmsted Falls, Ohio*

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019  
(Continued)

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### **Note 14 - Defined Benefit Pension Plans** (Continued)

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

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

<u>Age</u>	<u>Police</u>	<u>Fire</u>
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. 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.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
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 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, 2018 are summarized on the subsequent page:

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 14 - Defined Benefit Pension Plans (Continued)

##### F. Actuarial Assumptions – OP&F (Continued)

Asset Class	Target Allocation	10 year Expected Real Rate of Return **	30 year Expected Real Rate of Return **
Cash and Cash Equivalents	0.00 %	1.00 %	0.80 %
Domestic Equity	16.00	5.60	5.50
Non-US Equity	16.00	6.10	5.90
Core Fixed Income *	23.00	2.20	2.60
U.S. Inflation Linked Bonds *	17.00	1.30	2.30
High Yield Fixed Income	7.00	4.20	4.80
Real Estate	12.00	5.70	6.10
Private Markets	8.00	8.40	8.40
Master Limited Partnerships	8.00	6.70	6.40
Private Credit	5.00	8.30	7.50
Real Assets	8.00	7.00	7.00
<b>Total</b>	<b>120.00 %</b>		

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.

**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.



## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 14 - Defined Benefit Pension Plans (Continued)

##### F. Actuarial Assumptions – OP&F (Continued)

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$ 6,078,646	\$ 4,624,545	\$ 3,409,434

#### Note 15 - Defined Benefit OPEB Plans

##### A. Net OPEB Liability

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

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

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

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

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.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 15 - Defined Benefit OPEB Plans (Continued)**

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

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

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

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

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

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

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. During 2019, health care was not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 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.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 15 - Defined Benefit OPEB Plans (Continued)**

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

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 2018. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. No contributions made in 2019.

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

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

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at [www.op-f.org](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.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 15 - Defined Benefit OPEB Plans** (Continued)

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

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

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

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

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

The City's contractually required contribution to OP&F was \$6,848 for 2019.

##### **D. 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, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities.

*City of Olmsted Falls, Ohio*

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019  
(Continued)

**Note 15 - Defined Benefit OPEB Plans** (Continued)

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

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

	<u>OPERS</u>	<u>OP&amp;F</u>	<u>Total</u>
Proportion of the Net OPEB Liability			
Prior Measurement Date	0.011400%	0.055950%	
Proportion of the Net OPEB Liability			
Current Measurement Date	<u>0.010587%</u>	<u>0.056655%</u>	
Change in Proportionate Share	<u>-0.000813%</u>	<u>0.000705%</u>	
Proportionate Share of the Net OPEB Liability	\$ 1,380,295	\$ 515,931	\$ 1,896,226
OPEB Expense	\$ 86,877	\$ (2,512,845)	\$ (2,425,968)

At December 31, 2019, 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>			
Net difference between projected and actual earnings on OPEB plan investments	\$ 63,279	\$ 17,464	\$ 80,743
Differences between expected and actual experience	468	-	468
Changes of assumptions	44,502	267,434	311,936
Changes in proportion and differences between City contributions and proportionate share of contributions	-	159,552	159,552
City contributions subsequent to the measurement date	-	6,848	6,848
<b>Total Deferred Outflows of Resources</b>	<u>\$ 108,249</u>	<u>\$ 451,298</u>	<u>\$ 559,547</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	\$ 3,745	\$ 13,823	\$ 17,568
Changes of assumptions	-	142,834	142,834
Changes in proportion and differences between City contributions and proportionate share of contributions	<u>72,559</u>	<u>-</u>	<u>72,559</u>
<b>Total Deferred Inflows of Resources</b>	<u>\$ 76,304</u>	<u>\$ 156,657</u>	<u>\$ 232,961</u>

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 15 - Defined Benefit OPEB Plans (Continued)

#### D. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

\$6,848 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 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2020	\$ 8,787	\$ 50,028	\$ 58,815
2021	(18,230)	50,028	31,798
2022	9,512	50,026	59,538
2023	31,876	55,310	87,186
2024	-	46,982	46,982
Thereafter	-	35,419	35,419
Total	\$ 31,945	\$ 287,793	\$ 319,738

#### E. Actuarial Assumptions - OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018. The actuarial valuation used the actuarial assumptions on the next page 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	3.96 percent
Prior Measurement date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	3.71 percent
Health Care Cost Trend Rate	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 15 - Defined Benefit OPEB Plans** (Continued)

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

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 on the following page displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 15 - Defined Benefit OPEB Plans (Continued)

##### E. Actuarial Assumptions – OPERS (Continued)

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

**Discount Rate** A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 3.71 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

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

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	\$ 1,765,912	\$ 1,380,295	\$ 1,073,628



**City of Olmsted Falls, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019  
(Continued)

**Note 15 - Defined Benefit OPEB Plans (Continued)**

**E. Actuarial Assumptions – OPERS (Continued)**

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

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2019 is 10.00 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	\$ 1,326,763	\$ 1,380,295	\$ 1,441,949

**F. Actuarial Assumptions – OP&F**

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

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

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 15 - Defined Benefit OPEB Plans (Continued)

##### F. Actuarial Assumptions – OP&F (Continued)

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

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

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 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	4.66 percent
Prior measurement date	3.24 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

## City of Olmsted Falls, Ohio

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

#### Note 15 - Defined Benefit OPEB Plans (Continued)

##### F. Actuarial Assumptions – OP&F (Continued)

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

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

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

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018, are summarized below:

Asset Class	Target Allocation	10 year Expected Real Rate of Return **	30 year Expected Real Rate of Return **
Cash and Cash Equivalents	0.00 %	1.00 %	0.80 %
Domestic Equity	16.00	5.30	5.50
Non-US Equity	16.00	6.10	5.90
Core Fixed Income *	23.00	2.20	2.60
U.S. Inflation Linked Bonds *	17.00	1.30	2.30
High Yield Fixed Income	7.00	4.20	4.80
Real Estate	12.00	5.70	6.10
Private Markets	8.00	8.40	8.40
Master Limited Partnerships	8.00	6.70	6.40
Private Credit	5.00	8.30	7.50
Real Assets	8.00	7.00	7.00
Total	120.00 %		

Note: Assumptions are geometric

\* levered 2x

\*\* numbers are net of expected inflation

**City of Olmsted Falls, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019  
(Continued)

**Note 15 - Defined Benefit OPEB Plans** (Continued)

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

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 3.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by state statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 3.16 percent at December 31, 2018 and 4.13 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

**Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate** Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.66 percent), or one percentage point higher (4.66 percent) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City’s proportionate share of the net OPEB liability	\$ 628,544	\$ 515,931	\$ 421,401

**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 because it is based on a medical benefit that is a flat dollar amount.

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 15 - Defined Benefit OPEB Plans (Continued)**

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

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

#### **Note 16: Contingencies**

##### **A. Grants**

The City received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and may be subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the City at December 31, 2019.

##### **B. Litigation**

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

#### **Note 17: 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 basis), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with State statute.

The major differences between the budget basis and the GAAP basis are:

- 1 Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- 2 Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

**City of Olmsted Falls, Ohio**

Notes to the Basic Financial Statements  
For the Year Ended December 31, 2019  
(Continued)

**Note 17: Budgetary Basis of Accounting** (continued)

- 3 Advances in and advances out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
- 4 Encumbrances are treated as expenditures (budget basis) rather than as a part of restricted, committed, or assigned fund balance (GAAP basis).
- 5 Some funds are included in the General Fund (GAAP Basis), but have separate legally adopted budgets (budget basis).

The following tables summarize the adjustments necessary to reconcile the budget basis statement to the GAAP basis statement for the General Fund.

Net Change in Fund Balance	
GAAP Basis	\$ 77,643
Increase (Decrease) Due to:	
Revenue Accruals	(82,121)
Expenditure Accruals	(27,042)
Advances Out	(39,000)
Net Impact of Encumbrances	(131,041)
Budgetary Basis	\$ (201,561)

**Note 18: Other Commitments**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are components of fund balance for subsequent year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. As of December 31, 2019, the City's commitments for encumbrances in the governmental funds were as follows:

	Outstanding Encumbrances
General Fund	\$ 131,041
Sewer Debt Project 4	6,465,209
Nonmajor Governmental Fund	357,446
	\$ 6,953,696

## *City of Olmsted Falls, Ohio*

### Notes to the Basic Financial Statements For the Year Ended December 31, 2019 (Continued)

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#### **Note 19: Subsequent Event**

On June 11, 2020, the City issued \$7,110,000 in bond anticipation notes. \$5,000,000 was issued to fund the continuation of the Phase V Sewer Project. \$85,000 will be used to fund the purchase of a new sewer vehicle. The remaining \$2,025,000 was rolled-over from prior year notes that were issued. The city rolled over \$1,500,000 for the continuation of the Columbia/Cook Rd. project. \$525,000 was rolled over for City building renovation and City hall additions. The amount is to be repaid June 11, 2021.

The United States and the State of Ohio declared a state of emergency in March 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City of Olmsted Falls. As a part a part of the emergency measures, the Governor of the State of Ohio ordered non-essential businesses to close and issued “stay at home” orders in March 2020 which are still ongoing. The income tax deadline in Ohio was also extended from April 15, 2020 to July 15, 2020. As a result, the City expects decreased income tax collections in 2020, decreased local government and other revenues from the State of Ohio, and a delay in receiving net profit and individual income taxes. Management and elected officials plan to closely monitor revenue collections and apply expenditure controls to ensure the continued financial viability of the City; however, the exact financial impact cannot be determined at this time.

**City of Olmsted Falls, Ohio**

Required Supplementary Information  
Schedule of the City's Proportionate Share of the Net Pension Liability  
Ohio Public Employees Retirement System  
Last Six Years (1)

<b>Traditional Plan</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability	0.011357%	0.011540%	0.011760%	0.008991%	0.112100%	0.112100%
City's Proportionate Share of the Net Pension Liability	\$3,110,452	\$1,810,402	\$2,670,496	\$1,557,354	\$1,352,050	\$1,321,513
City's Covered Payroll	\$1,533,943	\$1,524,992	\$1,419,792	\$1,230,867	\$1,378,900	\$1,358,262
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.77%	118.72%	188.09%	126.52%	98.05%	97.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%	81.08%	86.45%	86.36%
<b>Combined Plan</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension (Asset)	0.000389%	0.022006%	0.021680%	0.015070%	0.016994%	0.016994%
City's Proportionate Share of the Net Pension (Asset)	(\$435)	(\$29,957)	(\$12,066)	(\$7,333)	(\$6,543)	(\$1,783)
City's Covered Payroll	\$1,664	\$90,123	\$79,825	\$54,842	\$62,592	\$4,500
City's Proportionate Share of the Net Pension (Asset) as a Percentage of its Covered Payroll	26.14%	33.24%	15.12%	13.37%	10.45%	39.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	126.64%	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 Olmsted Falls, Ohio**

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

<b>Police</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability	0.027360%	0.025780%	0.024508%	0.029976%	0.032236%	0.032236%
City's Proportionate Share of the Net Pension Liability	\$2,233,299	\$1,582,218	\$1,552,304	\$1,928,393	\$1,669,974	\$690,922
City's Covered Payroll	\$681,358	\$619,600	\$598,274	\$674,189	\$709,768	\$690,922
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	327.77%	255.36%	259.46%	286.03%	235.28%	100.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%	66.77%	71.71%	73.00%
<b>Fire</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
City's Proportion of the Net Pension Liability	0.029295%	0.030171%	0.027814%	0.031702%	0.030960%	0.030960%
City's Proportionate Share of the Net Pension Liability	\$2,391,246	\$1,851,705	\$1,761,688	\$2,039,442	\$555,221	\$545,106
City's Covered Payroll	\$586,094	\$580,187	\$538,791	\$581,413	\$555,221	\$545,106
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	408.00%	319.16%	326.97%	350.77%	100.00%	100.00%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	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 Olmsted Falls, Ohio**

Required Supplementary Information  
Schedule of City Contributions - Pension  
Ohio Public Employees Retirement System  
Last Seven Years (1)

	<u>2019</u>	<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	209,322	214,752	198,249	170,375	147,704	165,468	176,574
Combined Plan	-	233	11,716	9,579	6,581	7,511	585
Total Required Contributions	\$209,322	\$214,985	\$209,965	\$179,954	\$154,285	\$172,979	\$177,159
Contributions in Relation to the Contractually Required Contribution	(\$209,322)	(\$214,985)	(\$209,965)	(\$179,954)	(\$154,285)	(\$172,979)	(\$177,159)
Contribution Deficiency / (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's Covered Payroll							
Traditional Plan	\$1,495,157	\$1,533,943	\$1,524,992	\$1,419,792	\$1,230,867	\$1,378,900	\$1,358,262
Combined Plan	\$0	\$1,664	\$90,123	\$79,825	\$54,842	\$62,592	\$4,500
<u>Pension Contributions as a Percentage of Covered Payroll</u>							
Traditional Plan	14.00%	14.00%	13.00%	12.00%	12.00%	12.00%	13.00%
Combined Plan	14.00%	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 Olmsted Falls, Ohio**

**Required Supplementary Information  
Schedule of City Contributions - Pension  
Ohio Police and Fire Pension Fund  
Last Ten Years**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
<u>Contractually Required Contributions</u>										
Police	\$140,358	\$129,458	\$117,724	\$113,672	\$128,096	\$134,856	\$108,682	\$87,667	\$86,708	\$91,523
Fire	\$148,218	\$137,732	\$136,344	\$126,616	\$136,632	\$130,477	\$110,275	\$90,261	\$87,372	\$89,438
Total Required Contributions	\$288,576	\$267,190	\$254,068	\$240,288	\$264,728	\$265,333	\$218,957	\$177,928	\$174,080	\$180,961
Contributions in Relation to the Contractually Required Contribution	(\$288,576)	(\$267,190)	(\$254,068)	(\$240,288)	(\$264,728)	(\$265,333)	(\$218,957)	(\$177,928)	(\$174,080)	(\$180,961)
Contribution Deficiency / (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's Covered Payroll										
Police	\$738,726	\$681,358	\$619,600	\$598,274	\$674,189	\$709,768	\$690,922	\$687,584	\$680,063	\$717,827
Fire	\$630,715	\$586,094	\$580,187	\$538,791	\$581,413	\$555,221	\$545,106	\$523,252	\$506,504	\$518,481
<u>Pension Contributions as a Percentage of Covered Payroll</u>										
Police	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	[1]	12.75%	12.75%	12.75%
Fire	23.50%	23.50%	23.50%	23.50%	23.50%	23.50%	[1]	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 Olmsted Falls, Ohio*

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

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	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's Proportion of the Net OPEB Liability	0.010587%	0.011400%	0.011710%
City's Proportionate Share of the Net OPEB Liability	\$ 1,380,295	\$ 1,237,956	\$ 1,182,750
City's Covered Payroll	\$ 1,535,607	\$ 1,615,115	\$ 1,618,956
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.89%	76.65%	73.06%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%	54.05%

(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 end.

See accompanying notes to the required supplementary information

*City of Olmsted Falls, Ohio*

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

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	<u>2019</u>	<u>2018</u>	<u>2017</u>
City's Proportion of the Net OPEB Liability	0.056655%	0.055950%	0.052320%
City's Proportionate Share of the Net OPEB Liability	\$ 515,931	\$ 3,170,066	\$ 2,483,513
City's Covered Payroll	\$ 1,267,452	\$ 1,199,787	\$ 1,137,065
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	40.71%	264.22%	218.41%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	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 end.

See accompanying notes to the required supplementary information

***City of Olmsted Falls, Ohio***

Required Supplementary Information  
Schedule of the City's Contributions - OPEB  
Ohio Public Employees Retirement System  
Last Five Years (1)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ -	\$ -	\$ 16,151	\$ 32,673	\$ 23,476
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>	<u>(16,151)</u>	<u>(32,673)</u>	<u>(23,476)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 1,495,157	\$ 1,535,607	\$ 1,615,115	\$ 1,618,956	\$ 1,189,807
Contributions as a Percentage of Covered Payroll	0.00%	0.00%	1.00%	2.02%	1.97%

(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 Olmsted Falls, Ohio***

Required Supplementary Information  
Schedule of the City's Contributions - OPEB  
Ohio Police and Fire Pension Fund  
Last Ten Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually Required Contribution	\$ 6,848	\$ 6,337	\$ 5,999	\$ 5,685	\$ 6,278	\$ 6,325	\$ 44,744	\$ 81,731	\$ 80,093	\$ 83,451
Contributions in Relation to the Contractually Required Contribution	<u>(6,848)</u>	<u>(6,337)</u>	<u>(5,999)</u>	<u>(5,685)</u>	<u>(6,278)</u>	<u>(6,325)</u>	<u>(44,744)</u>	<u>(81,731)</u>	<u>(80,093)</u>	<u>(83,451)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City Covered Payroll	\$ 1,369,441	\$ 1,267,452	\$ 1,199,787	\$ 1,137,065	\$ 1,255,602	\$ 1,264,989	\$ 1,236,028	\$ 1,210,836	\$ 1,186,567	\$ 1,236,308
Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%	0.50%	0.50%	3.62%	6.75%	6.75%	6.75%

See accompanying notes to the required supplementary information

## *City of Olmsted Falls, Ohio*

### Notes to Required Supplementary Information For The Year Ended December 31, 2019

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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 2014-2019.

*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. For 2019, the following changes of assumptions affected the total pension liability since the prior measurement date: (a) the expected investment return was reduced from 7.50% to 7.20%.

##### ***Net OPEB Liability***

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2018-2019.

*Changes in assumptions:* For 2018, the single discount rate changed from 4.23% to 3.85%. For 2019, the following changes of assumptions affected the total OPEB liability since the prior measurement date: (a) the expected investment return was reduced from 6.50% to 6.00% (b) In January 2020, the Board adopted changes to health care coverage for Medicare and pre-Medicare retirees. It will include discontinuing the PPO plan for pre-Medicare retirees and replacing it with a monthly allowance to help participants pay for a health care plan of their choosing. The base allowance for Medicare eligible retirees will be reduced. The specific effect of these changes on the net OPEB liability and OPEB expense are unknown at this time.



## *City of Olmsted Falls, Ohio*

### Notes to Required Supplementary Information For The Year Ended December 31, 2019

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#### **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 2014-2019.

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

##### *Net OPEB Liability*

*Changes in benefit terms:* There were no changes in benefit terms from the amounts reported for 2018. For 2019, see below regarding changes to stipend-based model.

*Changes in assumptions:* For 2018, the single discount rate changed from 3.79 percent to 3.24 percent. For 2019, the changes of assumptions were: (a) beginning January 1, 2019 OP&F changed its retiree health care model and the current self-insured health care plan is no longer offered. In its place will be a stipend-based health care model. OP&F has contracted with a vendor who will assist eligible retirees in choosing health care plans from their marketplace (both Medicare-eligible and pre-Medicare populations). A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. As a result of changing from the current health care model to the stipend based health care model, management expects that it will be able to provide stipends to eligible participants for the next 15 years (b) beginning in 2020 the Board approved a change to the Deferred Retirement Option Plan. The minimum interest rate accruing will be 2.5%.

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**JAMES G. ZUPKA, C.P.A., INC.**

*Certified Public Accountants  
5240 East 98<sup>th</sup> Street  
Garfield Hts., Ohio 44125*

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS**

To the Members of City Council  
City of Olmsted Falls  
Olmsted Falls, Ohio

The Honorable Keith Faber  
Auditor of State  
State of Ohio

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Olmsted Falls, Cuyahoga County, Ohio, (the City) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 8, 2020, wherein we noted the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City.

***Internal Control Over Financial Reporting***

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

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

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

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs as item **2019-001**.

### ***City's Response to Findings***

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on it.

### ***Purpose of This Report***

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



James G. Zupka, CPA, Inc.  
Certified Public Accountants

July 8, 2020

**CITY OF OLMSTED FALLS  
 CUYAHOGA COUNTY, OHIO  
 SCHEDULE OF FINDINGS AND RESPONSES  
 FOR THE YEAR ENDED DECEMBER 31, 2019**

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

**Finding Number 2019-001 - Material Noncompliance – Negative Cash Balances**

Condition/Criteria

Ohio Revised Code Section 5705.10(H) provides that money paid into a fund must be used only for the purposes for which such fund has been established. A fund with negative cash fund balance signifies that monies from other funds were used to meet obligations of that fund.

During our review of the cash balances of the City’s general ledger, we noted the following funds had negative cash balances at December 31, 2019:

Nonmajor Government Funds	Amount
Water Debt Project	\$ 32,593
Sewer Debt Project	9,361
Main Street Parking Lot	95,792

Cause/Effect

The City advanced funds to the Sewer Debt Project Fund from the General Fund without authorization from Council which is not in accordance with guidelines established by Ohio Revised Code Sections 5705.14-16, which requires taxing authorities to pass ordinance authorizing the advance of funds before an advance can be made. Also, this resulted in Water Debt, Sewer Debt and Main Street Parking Lot funds paying for expenditure on behalf of another fund.

Recommendation

We recommend that City ensure its fund appropriations and expenditures are consistent with the purposes for which the funds were established. We also recommend that the City monitor its cash fund balances on a regular basis in order to ensure that sufficient cash is on hand to pay for obligations and that the City utilize advances when necessary. We also recommend that Council approve all advances prior to occurrence.

City’s Response

The City will take due care to ensure that fund appropriations and expenditures are consistent with the purposes the funds were established for. In addition, we will monitor cash fund balances on a regular basis and only make appropriate fund transfers and/or advances that are proper and with the prior approval of City Council.

**CITY OF OLMSTED FALLS  
CUYAHOGA COUNTY, OHIO  
SCHEDULE OF PRIOR AUDIT FINDINGS AND RECOMMENDATIONS  
FOR THE YEAR ENDED DECEMBER 31, 2019**

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The prior audit report, as of December 31, 2018, included no citations or instances of noncompliance. Management letter recommendations have been corrected, repeated, or procedures instituted to prevent occurrences in this audit period.

# OHIO AUDITOR OF STATE KEITH FABER



**CITY OF OLMSTED FALLS**

**CUYAHOGA COUNTY**

**AUDITOR OF STATE OF OHIO CERTIFICATION**

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



**Certified for Release 9/8/2020**

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

This report is a matter of public record and is available online at  
[www.ohioauditor.gov](http://www.ohioauditor.gov)