CITY OF VERMILION

ERIE COUNTY, OHIO

REGULAR AUDIT

For the Year Ended December 31, 2019

Charles E. Harris
& Associates, Inc.
CPAs and Government Consultants

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ERIE COUNTY
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INDEPENDENT AUDITOR'S REPORT

City of Vermilion
Erie County
5511 Liberty Avenue
Vermilion, Ohio 44089

To the Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Vermilion, Erie 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 an opinion 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 opinion.

Summary of Opinions

Opinion Unit	Type of Opinion
Governmental Activities	Qualified
Business-Type Activities	Qualified
Discretely Presented Component Unit	Qualified
General Fund	Unmodified
Road Improvement Levy	Unmodified
Fire Station No.1 Project	Unmodified
Fire Apparatus	Unmodified
General Obligation Bond Retirement	Unmodified
Water Fund	Qualified
Sewer Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund and Discretely Presented Component Unit

Because of the inadequacy of the accounting records, we were unable to obtain sufficient evidence regarding the amounts at which Non-depreciable Capital Assets and Depreciable Capital Assets, Net, are recorded in the governmental activities, business-type activities, water fund, sewer fund and discretely presented component unit at December 31, 2019, (stated at $3,680,167, $10,142,437, $532,147, $9,280,822, $416,597, $3,844,423, $115,550, $5,436,399, $1,059,388 and $773,036, respectively), and the amount of accumulated depreciation and depreciation expense recorded in the governmental activities, business-type activities, water fund, sewer fund and discretely presented component unit for the year ended (stated at $16,063,014, $0, $8,884,136, $0, $5,006,090, $0, $3,878,046, $0, $690,893 and $31,547, respectively). Due to our inability to obtain assurance on the amounts recorded as capital assets, we are also unable to obtain assurance as to the amounts recorded as Net Investment in Capital Assets for the governmental activities, business-type activities, water fund, sewer fund and discretely presented component unit (stated at $4,148,356, $333,813, $2,188,837, ($1,855,024) and $909,795 respectively). We cannot reasonably determine the amount by which this departure would affect the assets, expenses and net position of the governmental activities, business-type activities, water fund, sewer fund and discretely presented component unit.

Qualified Opinions

In our opinion, except for the effects of the matters described in the *Basis for Qualified Opinions on Governmental Activities, Business-Type Activities, Water Fund, Sewer Fund and Discretely Presented Component Unit* paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, business-type activities, water fund, sewer fund and discretely presented component unit of the City of Vermilion, Erie County, Ohio, as of December 31, 2019, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the General Fund, Road Improvement Levy Fund, Fire Apparatus Fund, General Obligation Bond Retirement Fund, Fire Station No. 1 Project Fund and the aggregate remaining fund information of the City of Vermilion, Erie County, Ohio, as of December 31, 2019, and the respective changes in financial position thereof and the respective budgetary comparisons for the General Fund and Road Improvement Levy Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, the financial impact of COVID-19 and ensuing emergency measures will impact subsequent periods of the City. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and schedules of net pension and OPEB liabilities and pension and OPEB contributions 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 November 19, 2020, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance.

Charles E. Harris & Associates, Inc.
November 19, 2020

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

Financial Highlights

Key financial highlights for 2019 are as follows:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the year by $14,903,209 (net position).
- The capital asset records were not updated for 2019 and 2018 and therefore, depreciation expense was not reported nor were any capital asset additions or disposals.
- The City's total net position increased $3,964,696 or 36% from 2018.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $16,663,837, an increase of $6,402,890, or 62.4%, in comparison to the prior year balances.

Overview of the Financial Statements

This annual report consists of a series of financial statements, notes pertaining to those statements, and the required supplementary information. These statements are presented so that the reader can understand the City's financial situation as a whole and also give a detailed view of the City's fiscal condition.

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to private sector businesses. The statement of net position and statement of activities provide information about the activities of the City taken as a whole. These statements present both an aggregate view of the City's finances and a long term view of those related assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

The statement of net position presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the government's net position changed during the recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions for the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, security of persons and property (Police and Fire), public health and welfare, transportation, community development, basic utility services, and leisure time activities. The business-type activities include water and sewer.

The government-wide financial statements can be found on pages 19 through 21 of this report.

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

Since the focus of 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, readers may better understand the long term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances, for the general fund, road improvement levy fund, fire station No. 1 fund, the fire apparatus fund and the general obligation bond retirement fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregate presentation.

The governmental fund financial statements can be found starting on page 22 through 25 of this report.

The City adopts an annual appropriated budget for each of its funds. A budgetary comparison statement (non-GAAP basis) has been provided for the general fund and for each major special revenue fund to demonstrate budgetary compliance and can be found starting on pages 26 and 27 of this report.

Proprietary Funds - The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains such a fund for its self-insurance of health related benefits offered to all full time employees and some participating part time employees as well as those who are continuing benefits through COBRA. Since health insurance predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations. All enterprise funds are considered major funds. The internal service fund is for self-insurance of health benefits. The proprietary fund financial statements can be found on pages 28 through 32 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 on the government-wide financial statements because the resources from those funds are not available to support the City's programs. The accounting method used for fiduciary funds is much like that used for the proprietary funds. The fiduciary fund financial statements can be found on page 33 of this report.

Notes to the Basic Financial Statements - The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 34 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report presents the required supplementary information which can be found on pages 88 through 96 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows of resources by $14,903,209 at the close of the year. The City has not reported significant capital asset additions from 2008-2019. These assets will be reported in 2020 and are expected to increase net position.

Table 1
Net Position, at Year End

	Governmental Activities		Business-type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Assets						
Current and other assets	$ 22,225,268	$ 16,528,861	$ 3,566,094	$ 3,376,750	$ 25,791,362	$ 19,905,611
Capital assets, net	13,822,604	13,822,604	9,812,969	9,812,969	23,635,573	23,635,573
Total assets	36,047,872	30,351,465	13,379,063	13,189,719	49,426,935	43,541,184
Deferred outflows of resources						
Pension	2,237,926	1,071,262	699,950	335,519	2,937,876	1,406,781
OPEB	478,414	465,642	95,691	64,280	574,105	529,922
Total deferred outflows of resources	2,716,340	1,536,904	795,641	399,799	3,511,981	1,936,703
Liabilities						
Other liabilities	563,516	727,889	188,669	297,515	752,185	1,025,404
Long-term liabilities:						
Due within one year	593,809	489,054	1,018,562	1,321,293	1,612,371	1,810,347
Due in more than one year:						
Net pension liability	7,879,733	5,269,017	2,349,712	1,329,737	10,229,445	6,598,754
Net OPEB liability	2,191,296	4,288,900	1,069,816	873,483	3,261,112	5,162,383
Other amounts	9,975,464	6,085,540	8,750,611	9,691,325	18,726,075	15,776,865
Total liabilities	21,203,818	16,860,400	13,377,370	13,513,353	34,581,188	30,373,753
Deferred inflows of resources						
Property taxes	3,021,813	2,823,663	-	-	3,021,813	2,823,663
Pension	171,211	735,810	45,896	342,482	217,107	1,078,292
OPEB	200,861	175,921	14,738	87,745	215,599	263,666
Total deferred inflows of resources	3,393,885	3,735,394	60,634	430,227	3,454,519	4,165,621
Net position						
Net investment in capital assets	4,148,356	8,151,308	333,813	(660,310)	4,482,169	7,490,998
Restricted	14,071,098	9,872,711	-	-	14,071,098	9,872,711
Unrestricted	(4,052,945)	(6,731,444)	402,887	306,248	(3,650,058)	(6,425,196)
Total net position	$ 14,166,509	$ 11,292,575	$ 736,700	$ (354,062)	$ 14,903,209	$ 10,938,513

A large portion of the City's net position, 30.08% reflects net investments in capital assets (e.g. land, construction in progress, buildings, improvements, machinery and equipment, vehicles, and infrastructure), less any related debt to acquire those assets that is still outstanding. The City uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The largest portion of the City's net position represents resources of 94.42% that are subject to external restrictions on how they may be used. The remaining deficit balance is unrestricted net position in the amount of $3,650,058, or (24.49)% of net position.

Total assets increased by $5,885,751 from 2018. This increase was mainly due to an increase in cash balances in various funds.

The City's net position increased $3,964,696 during the current year. Governmental-type activities recognized a 25.4% increase of $2,873,934, while business-type activities recognized an increase of $1,090,762.

The City's statement of activities prepared on an accrual basis of accounting includes an annual pension expense and annual OPEB expense equal to its proportionate share of each plan's change in net pension liability and net OPEB liability not accounted for as deferred inflows/outflows.

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for the current year as compared to the prior year.

Table 2
Changes in Net Position

	Governmental Activities 2019	Governmental Activities 2018	Business-Type Activities 2019	Business-Type Activities 2018	Total 2019	Total 2018
Revenues						
Program revenues:						
Charges for services	$ 3,273,577	$ 3,298,905	$ 5,295,769	$ 4,665,731	$ 8,569,346	$ 7,964,636
Operating grants, contributions, and interest	994,049	977,086	-	-	994,049	977,086
Capital grants and contributions	-	2,189,678	85,820	-	85,820	2,189,678
General revenues:						
Property taxes	3,059,390	2,512,954	-	-	3,059,390	2,512,954
Municipal income taxes	3,982,808	3,488,146	-	-	3,982,808	3,488,146
Grants and entitlements	647,980	798,545	-	-	647,980	798,545
Investment earnings	392,957	200,115	-	-	392,957	200,115
Other	238,230	203,107	-	-	238,230	203,107
Total revenues	12,588,991	13,668,536	5,381,589	4,665,731	17,970,580	18,334,267
Program Expenses						
Governmental Activities:						
General government	2,319,096	2,161,872	-	-	2,319,096	2,161,872
Security of persons and property:						
Police	1,310,427	3,226,637	-	-	1,310,427	3,226,637
Fire	1,073,440	478,322	-	-	1,073,440	478,322
Public health and welfare	135,086	138,032	-	-	135,086	138,032
Leisure time activities	579,041	506,702	-	-	579,041	506,702
Community development	296,268	200,815	-	-	296,268	200,815
Refuse	1,032,193	1,036,007	-	-	1,032,193	1,036,007
Basic utility services	123,938	112,781	-	-	123,938	112,781
Transportation	2,508,279	4,066,644	-	-	2,508,279	4,066,644
Interest and fiscal charges	337,289	302,595	-	-	337,289	302,595
Business-Type Activities:						
Water	-	-	1,902,218	1,694,926	1,902,218	1,694,926
Sewer	-	-	2,388,609	2,360,123	2,388,609	2,360,123
Total program expenses	9,715,057	12,230,407	4,290,827	4,055,049	14,005,884	16,285,456
Change in net position	2,873,934	1,438,129	1,090,762	610,682	3,964,696	2,048,811
Net position beginning of year	11,292,575	9,854,446	(354,062)	(964,744)	10,938,513	8,889,702
Net position end of year	$ 14,166,509	$ 11,292,575	$ 736,700	$ (354,062)	$ 14,903,209	$ 10,938,513

Governmental Activities

Governmental activities increased the City's net position by $2,873,934, thereby accounting for a 25.4% increase in the net position of the City's governmental activities. During 2019, the City was involved in several construction related projects, some of which will be funded by special assessments.

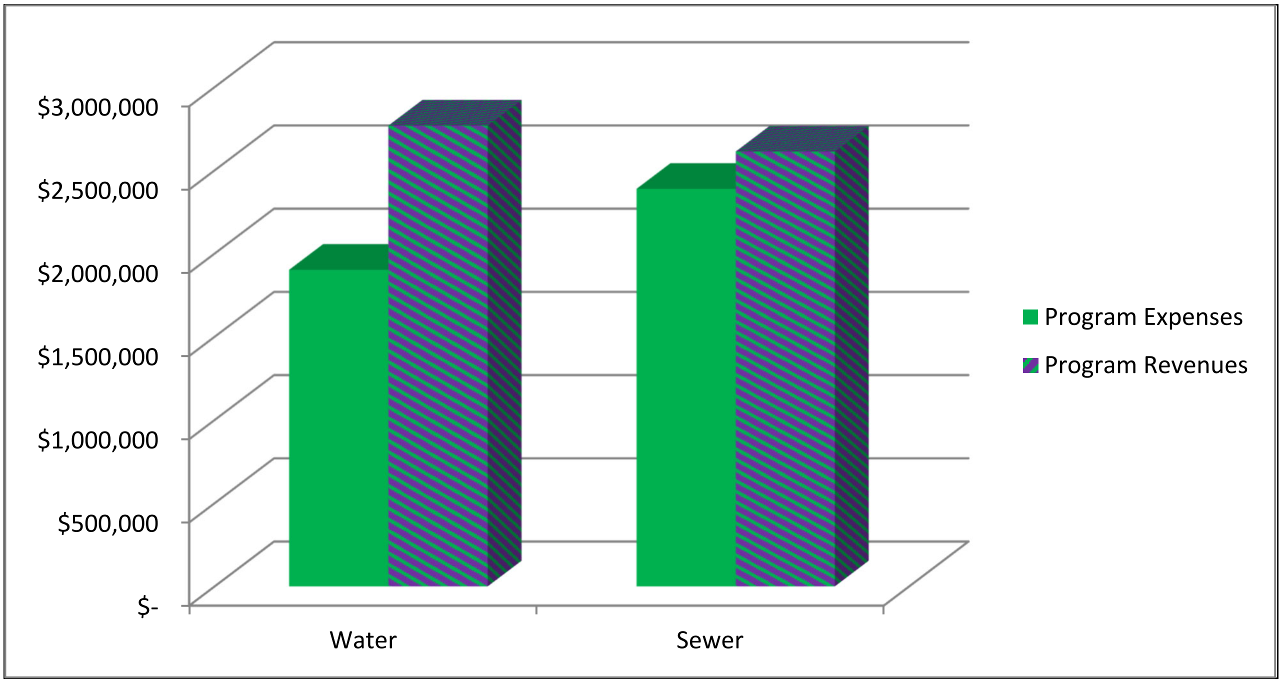
Intergovernmental revenues not related to specific programs amounted to $647,980 or 7.79% of total general revenues. The majority of these revenues consisted of roll back credits and local government funds. Other major components of general revenues were property taxes and income taxes, which accounted for $3,059,390 or 36.77% and $3,982,808 or 47.86%, respectively.

General government activities include support departments of the mayor, council, finance, engineering, law and other adjunct support services not specifically related to a specific function or activity. These expenses represent 23.9% of governmental activities expenses. Security of persons and property reflect the costs incurred for police and fire operations. This is a significant service provided to the local citizenry. These expenses represent 24.5% of governmental activities expenses. At 25.8% of total governmental activities expenses, transportation represents the City's commitment to improving its roads and maintaining access into and out of the City. These costs will continue to fluctuate as more, or fewer revenues are made available. Leisure time activities represent 6.0% of governmental activities.

The dependence upon general revenues for governmental activities is apparent, with 43.93% of expenses supported through taxes and other general revenues.

Business-Type Activities

Business-type activities increased the City's net position by $1,090,762. This increase is not related to any one specific area but rather current year revenues exceeding current year expenses.



Net pension and OPEB liabilities

In recent years, the City implemented the accounting standard for pension plans and for other postemployment benefit (OPEB) plans. As a result of implementing the accounting standards, the City is reporting a significant net pension and OPEB liability, related deferred inflows of resources and an increase in expenses related to pension/OPEB for the fiscal year which have a negative effect on net position. In addition, the City is reporting deferred outflows of resources, which have a positive consequence on net position. The increase in pension/OPEB expense is the difference between the contractually required contributions and the pension/OPEB expense resulting from the change in the net pension/OPEB liability that is not reported as deferred inflows or outflows. These amounts can be found in the reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities. To further explain the impact of these new accounting standards on the City's net position and expenses, additional information is presented below.

	2019 Governmental Activities	2019 Business-Type Activities	2018 Governmental Activities	2018 Business-Type Activities
Deferred outflows - pension	$ 2,237,926	$ 699,950	$ 1,071,262	$ 335,519
Deferred outflows - OPEB	478,414	95,691	465,642	64,280
Deferred inflows - pension	(171,211)	(45,896)	(735,810)	(342,482)
Deferred inflows - OPEB	(200,861)	(14,738)	(175,921)	(87,745)
Net pension liability	(7,879,733)	(2,349,712)	(5,269,017)	(1,329,737)
Net OPEB liability	(2,191,296)	(1,069,816)	(4,288,900)	(873,483)
Impact of on net position	$ (7,726,761)	$ (2,684,521)	$ (8,932,744)	$ (2,233,648)

Financial Analysis of City Funds

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

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

As of the end of the year, the City's governmental funds reported combined ending fund balances of $16,663,837, an increase of $6,402,890 in comparison with the prior year. $2,600,128 of the ending combined fund balance for 2019 constitutes assigned and unassigned fund balances, which is available for spending at the City's discretion. The remainder of fund balance is nonspendable, restricted or committed to indicate that it is not available for new spending because it has either internal or external constraints or is not in spendable form.

The general fund is the primary operating fund of the City. At the end of 2019, assigned and unassigned fund balance was $2,600,128 while total fund balance was $2,776,049. As a measure of the general fund's liquidity it may be useful to compare assigned, unassigned and total fund balance to total fund expenditures. Assigned and unassigned fund balance represents 52.68% to total general fund expenditures, while total fund balance represents 56.25% of that same amount. The fund balance of the City's general fund increased $1,552,927 during 2019. This increase in fund balance was not due to any one single event.

The road improvement levy fund has a total fund balance of $1,970,592, which is a $261,717 increase over the prior year balance. The general obligation bond retirement fund has a total fund balance of $77,917, which is all being reported as restricted fund balance. The net decrease in fund balance during the current year was $20,634. The Fire Station No. 1 project fund is new for 2019. The fund received bond proceeds of $4 million to be used for the design and construction of a new fire station. The bonds will be paid from the tax revenues in the fire apparatus fund.

Table 4 below reports year 2019 balances compared to 2018:

Table 4
Change in Fund Balance

Fund Balance

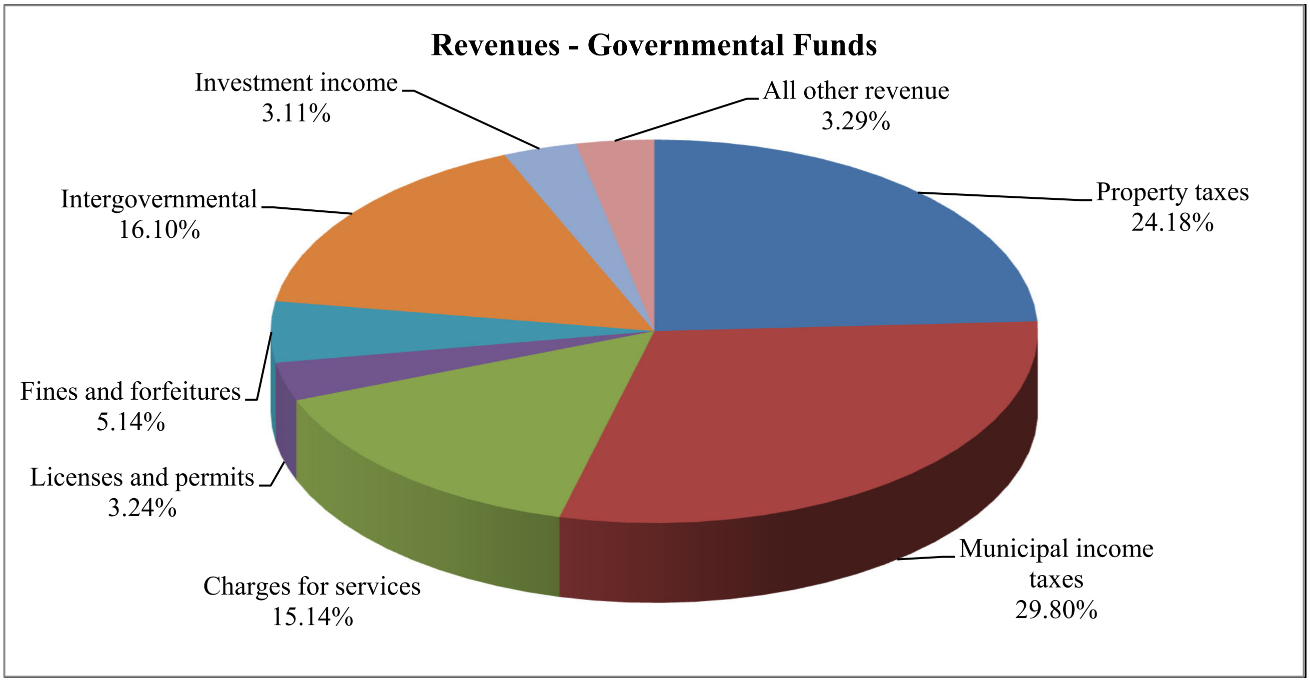
	December 31, 2019	December 31, 2018	Increase (Decrease)	Percent Change
General	$ 2,776,049	$ 1,223,122	$ 1,552,927	127.0%
Road improvement levy	1,970,592	1,708,875	261,717	15.3%
General obligation bond retirement	77,917	98,551	(20,634)	(20.9%)
Fire apparatus	2,680,785	2,523,862	156,923	6.2%
Fire Station No. 1	3,715,344	-	3,715,344	n/a
Other governmental funds	5,443,150	4,706,537	736,613	15.7%
	$ 16,663,837	$ 10,260,947	$ 6,402,890	

Table 5 below assists in illustrating the changes in financial activities for the general fund for year 2019 balances compared to 2018:

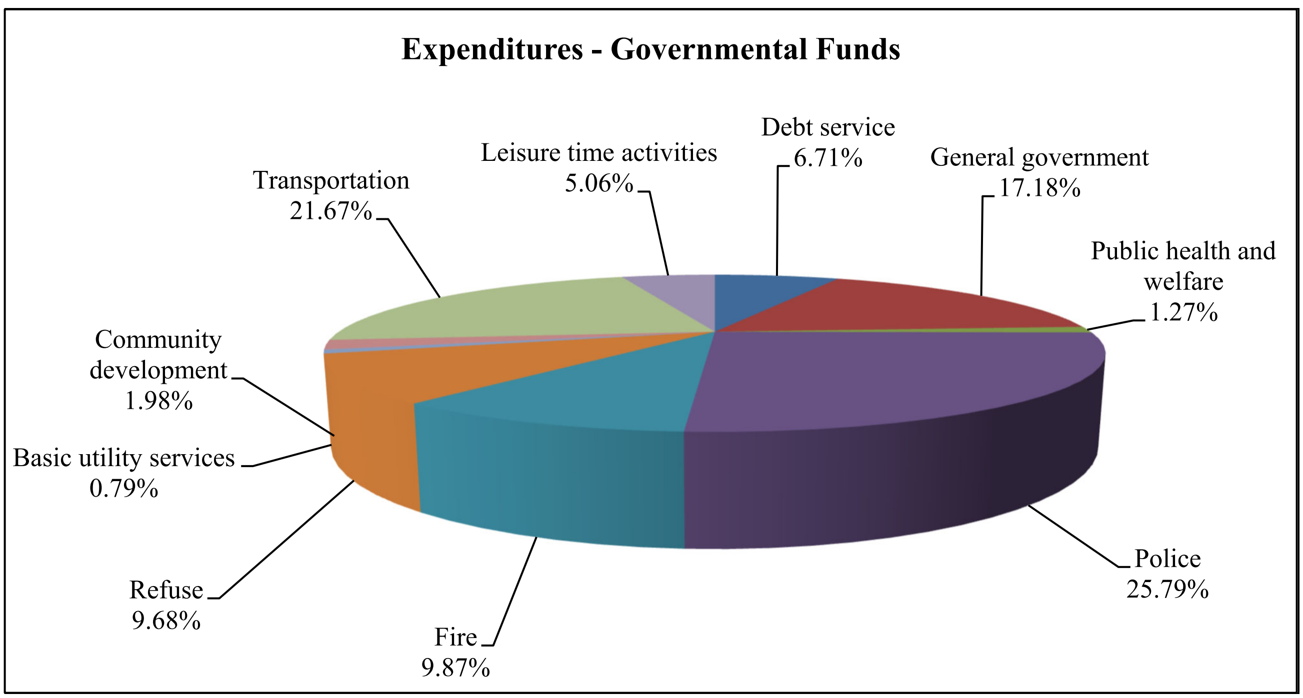
Table 5
Change in Financial Activities for the General Fund

	December 31, 2019	December 31, 2018	Increase (Decrease)	Percent Change
Revenues:				
Property taxes	$ 1,985,620	$ 1,812,269	$ 173,351	9.6%
Municipal income taxes	2,409,720	2,241,310	168,410	7.5%
Other local taxes	12,997	3,387	9,610	283.7%
Charges for services	134,171	116,681	17,490	15.0%
Licenses and permits	410,490	337,366	73,124	21.7%
Fines and forfeitures	424,301	444,706	(20,405)	(4.6%)
Intergovernmental	510,857	470,426	40,431	8.6%
Investment income	346,361	200,115	146,246	73.1%
Contributions and donations	39,825	97,726	(57,901)	(59.2%)
Other	181,558	132,335	49,223	37.2%
Total revenue	$ 6,455,900	$ 5,856,321	$ 599,579	
Expenditures:				
Current:				
General government	$ 1,757,654	$ 1,990,670	$ (233,016)	(11.7%)
Security of persons and property:				
Police	2,443,428	2,697,305	(253,877)	(9.4%)
Fire	286,855	-	286,855	n/a
Leisure time activities	107,144	222,059	(114,915)	(51.7%)
Community development	210,805	197,529	13,276	6.7%
Basic utility services	84,617	114,604	(29,987)	(26.2%)
Debt service:				
Principal retirement	36,553	169,063	(132,510)	(78.4%)
Interest and fiscal charges	8,475	3,166	5,309	167.7%
Total expenditures	$ 4,935,531	$ 5,394,396	$ (458,865)	

The diagram below shows the ratios of revenues reported within governmental funds:



The diagram below shows the ratios of expenditures reported within governmental funds:



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

The City maintains two different types of proprietary funds. Enterprise funds are used to report functions presented as a business-type activities on the government-wide financial statements. The City uses enterprise funds to account for water operation and sewer operation. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's other programs and activities. The City uses an internal service fund to account for the self-insurance program.

Analysis of the City's enterprise funds is noted above within the discussion of the City's business-type activities.

As of December 31, 2019, unrestricted net position in the self-insurance program was a deficit $36,325.

Budgetary Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. By State statute, the City Council adopts a temporary operating budget for the City prior to the first day of January. Council adopts a permanent annual operating budget for the City prior to the first day of April.

For the general fund, total change in expenditures and other financing uses from the original budget to the final budget was $1,312, an 0.02% increase. Actual expenditures and other financing uses of $5,114,290 were $508,614 lower than the final budget. Actual revenues and other financing sources increased $49,950 to $6,637,468 from the final estimates of $6,587,518. These changes were not specific to any one item. Fluctuations in growth and diversity have typically not occurred in the City, allowing department managers the ability to consistently predict revenues and expenditures.

Capital Assets and Debt Administration

Capital Assets – The City's capital assets for governmental and business-type activities as of December 31, 2019, were $23,635,573 (net of accumulated depreciation). This includes land and improvements, buildings, equipment, furniture, vehicles, infrastructure, traffic lights, and construction in progress.

The following table shows fiscal year 2019 capital asset balances for governmental activities and business-type activities, and accumulated depreciation, as compared to the prior fiscal year. The capital assets activities during fiscal year 2019 can be found at Note 8 on the notes to the basic financial statements.

Table 6
Capital Assets, at Year End
(Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	$ 719,099	$ 719,099	$ 105,140	$ 105,140	$ 824,239	$ 824,239
Construction in progress	2,961,068	2,961,068	427,007	427,007	3,388,075	3,388,075
Buildings	1,494,274	1,494,274	5,332,993	5,332,993	6,827,267	6,827,267
Equipment	886,466	886,466	5,810,847	5,810,847	6,697,313	6,697,313
Furniture	11,869	11,869	22,854	22,854	34,723	34,723
Infrastructure	18,787,706	18,787,706	6,617,464	6,617,464	25,405,170	25,405,170
Land improvements	1,479,508	1,479,508	43,749	43,749	1,523,257	1,523,257
Traffic lights	69,525	69,525	-	-	69,525	69,525
Vehicles	3,476,103	3,476,103	337,051	337,051	3,813,154	3,813,154
Less: accumulated depreciation	(16,063,014)	(16,063,014)	(8,884,136)	(8,884,136)	(24,947,150)	(24,947,150)
Total	$ 13,822,604	$ 13,822,604	$ 9,812,969	$ 9,812,969	$ 23,635,573	$ 23,635,573

Long Term Debt – At December 31, 2019, the City had total long-term debt outstanding of $19,743,127. Of this total, $1,425,523 is due within one year.

Table 7
Outstanding Debt, at Year End

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Bonds:						
General obligation and refunding	$ 8,464,308	$ 4,531,605	$ 3,285,290	$ 3,829,583	$ 11,749,598	$ 8,361,188
Special assessment	1,076,961	1,139,691	1,966,711	2,127,139	3,043,672	3,266,830
OPWC loans	132,979	-	-	-	132,979	-
OWDA loans	-	-	4,227,155	4,516,557	4,227,155	4,516,557
Lease-purchase loan	235,955	86,168	-	-	235,955	86,168
Energy conservation loan	-	81,320	-	225,319	-	306,639
Capital lease	177,902	232,141	175,866	199,296	353,768	431,437
Total	$ 10,088,105	$ 6,070,925	$ 9,655,022	$ 10,897,894	$ 19,743,127	$ 16,968,819

In addition to the outstanding debt listed above, the City has other long-term obligations. These other obligations include compensated absences of $547,599 and police pension obligations from past service costs in the amount of $47,720, respectively. Net pension and OPEB liability of $13,490,557 is also a long-term obligation of the City.

At December 31, 2019 the City's overall legal debt limit is $31,050,695, with a debt margin of $18,947,329. The an unvoted debt limit is $16,264,650 with a margin of $4,161,284. The City's credit rating remained unchanged in 2019 as compared to 2018. Additional information on the City's long-term debt can be found in Note 10 and 11 of this report.

Economic Factors

The City of Vermilion has experienced some financial difficulty. The various economic factors were considered in the preparation of the City's 2019 budget, and will be considered in the preparation of future budgets. Appropriate measures will be taken to ensure spending is within available resources as the City prepares to meet the challenges of the future. In conclusion, management has been committed to provide the residents of the City of Vermilion with full disclosure of the financial position of the City.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Amy Hendricks, Finance Director, 5511 Liberty Avenue, Vermilion, Ohio 44089.

City of Vermilion, Ohio

Statement of Net Position

December 31, 2019

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Unit Port Authority
Assets:				
Equity in pooled cash and cash equivalents	$ 15,725,263	$ 1,557,867	$ 17,283,130	$ -
Cash and cash equivalents in segregated accounts	21,142	-	21,142	-
Cash and cash equivalents with fiscal agents	-	-	-	60,519
Receivables:				
Property taxes	3,172,804	-	3,172,804	-
Income taxes	1,382,127	-	1,382,127	-
Accounts	452,870	844,451	1,297,321	-
Intergovernmental	683,512	-	683,512	-
Special assessments	630,832	1,166,604	1,797,436	-
Accrued interest	50,976	-	50,976	-
Prepaid items	66,492	7,887	74,379	-
Materials and supplies inventory	19,250	9,285	28,535	-
Internal balances	20,000	(20,000)	-	-
Nondepreciable capital assets	3,680,167	532,147	4,212,314	1,059,388
Depreciable capital assets	10,142,437	9,280,822	19,423,259	773,036
Total assets	36,047,872	13,379,063	49,426,935	1,892,943
Deferred outflows of resources:				
Pension	2,237,926	699,950	2,937,876	
OPEB	478,414	95,691	574,105	-
Total deferred outflows of resources	2,716,340	795,641	3,511,981	-
Liabilities:				
Accounts payable	285,956	39,552	325,508	181
Accrued wages and benefits	140,400	55,200	195,600	-
Intergovernmental payable	63,453	20,945	84,398	-
Income tax refunds payable	46,263	-	46,263	-
Accrued interest payable	27,444	72,972	100,416	-
Long-term liabilities:				
Due within one year	593,809	1,018,562	1,612,371	12,187
Due in more than one year:				
Net pension liability	7,879,733	2,349,712	10,229,445	-
Net OPEB liability	2,191,296	1,069,816	3,261,112	-
Other amounts due in more than one year	9,975,464	8,750,611	18,726,075	910,442
Total liabilities	21,203,818	13,377,370	34,581,188	922,810
Deferred inflows of resources:				
Property taxes	3,021,813	-	3,021,813	-
Pension	171,211	45,896	217,107	-
OPEB	200,861	14,738	215,599	-
Total deferred inflows of resources	3,393,885	60,634	3,454,519	-
Net position:				
Net investment in capital assets	4,148,356	333,813	4,482,169	909,795
Restricted for:				
Other purposes	5,490,624	-	5,490,624	-
Debt service	352,126	-	352,126	-
Capital projects	8,167,316	-	8,167,316	-
Nonexpendable	61,032	-	61,032	-
Unrestricted	(4,052,945)	402,887	(3,650,058)	60,338
Total net position	$ 14,166,509	$ 736,700	$ 14,903,209	$ 970,133

See accompanying notes to the basic financial statements.

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

		Program Revenues		
	Expenses	Charges for Services and sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	$ 2,319,096	$ 1,004,604	$ 31,028	$ -
Security of persons and property:				
Police	1,310,427	3,132	1,450	-
Fire	1,073,440	47,968	20	-
Public health and welfare	135,086	132,195	1,397	-
Leisure time activities	579,041	49,816	18,743	-
Community development	296,268	238,684	-	-
Refuse	1,032,193	1,163,922	-	-
Basic utility services	123,938	-	-	-
Transportation	2,508,279	633,256	941,411	-
Interest and fiscal charges	337,289	-	-	-
Total governmental activities	9,715,057	3,273,577	994,049	-
Business-Type Activities:				
Water	1,902,218	2,745,344	-	23,368
Sewer	2,388,609	2,550,425	-	62,452
Total business-type activities	4,290,827	5,295,769	-	85,820
Total primary government	$ 14,005,884	$ 8,569,346	$ 994,049	$ 85,820
Component Unit:				
Port Authority	$ 180,585	$ 161,685	$ -	$ -

General revenues:
Property taxes levied for:
General purposes
Other purposes
Debt service
Capital projects
Municipal income tax levied for:
General purposes
Other purposes
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues

Change in net position
Net position at beginning of year
Net position at end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit Port Authority
$ (1,283,464)	$ -	$ (1,283,464)	$ -
(1,305,845)	-	(1,305,845)	-
(1,025,452)	-	(1,025,452)	-
(1,494)	-	(1,494)	-
(510,482)	-	(510,482)	-
(57,584)	-	(57,584)	-
131,729	-	131,729	-
(123,938)	-	(123,938)	-
(933,612)	-	(933,612)	-
(337,289)	-	(337,289)	-
(5,447,431)	-	(5,447,431)	-
-	866,494	866,494	-
-	224,268	224,268	-
-	1,090,762	1,090,762	-
(5,447,431)	1,090,762	(4,356,669)	-
-	-	-	(18,900)
1,984,953	-	1,984,953	-
611,723	-	611,723	-
77,265	-	77,265	-
385,449	-	385,449	-
2,575,225	-	2,575,225	-
1,407,583	-	1,407,583	-
647,980	-	647,980	-
392,957	-	392,957	-
238,230	-	238,230	25,943
8,321,365	-	8,321,365	25,943
2,873,934	1,090,762	3,964,696	7,043
11,292,575	(354,062)	10,938,513	963,090
$ 14,166,509	$ 736,700	$ 14,903,209	$ 970,133

City of Vermilion, Ohio

Balance Sheet

Governmental Funds

December 31, 2019

	General	Road Improvement Levy	General Obligation Bond Retirement	Fire Apparatus	Fire Station No. 1 Project	Other Governmental Funds	Total Governmental Funds
Assets:							
Equity in pooled cash and cash equivalents	$ 2,358,592	$ 1,913,050	$ 77,115	$ 2,677,341	$ 3,689,485	$ 5,009,680	$ 15,725,263
Receivables:							
Property taxes	2,059,143	-	81,012	269,170	-	763,479	3,172,804
Income taxes	901,722	480,405	-	-	-	-	1,382,127
Accounts	70,222	-	-	-	-	382,648	452,870
Due from other funds	57,467	-	-	-	-	-	57,467
Intergovernmental	227,727	-	5,690	18,967	-	431,128	683,512
Special assessments	-	-	-	-	-	630,832	630,832
Accrued interest	25,117	-	-	-	25,859	-	50,976
Prepaid items	66,492	-	-	-	-	-	66,492
Materials and supplies inventory	-	-	-	-	-	19,250	19,250
Advances to other funds	20,000	-	-	-	-	-	20,000
Total assets	$ 5,786,482	$ 2,393,455	$ 163,817	$ 2,965,478	$ 3,715,344	$ 7,237,017	$ 22,261,593
Liabilities:							
Accounts payable	$ 44,213	$ 138,368	$ -	$ -	$ -	$ 103,375	$ 285,956
Accrued wages and benefits	120,491	-	-	-	-	19,909	140,400
Intergovernmental payable	37,199	-	-	-	-	26,254	63,453
Income tax refunds payable	28,783	17,480	-	-	-	-	46,263
Total liabilities	230,686	155,848	-	-	-	149,538	536,072
Deferred inflows of resources:							
Property taxes	1,964,326	-	77,518	256,776	-	723,193	3,021,813
Unavailable revenue - other	746,954	267,015	5,690	18,967	-	896,681	1,935,307
Unavailable revenue - delinquent property taxes	68,467	-	2,692	8,950	-	24,455	104,564
Total deferred inflows of resources	2,779,747	267,015	85,900	284,693	-	1,644,329	5,061,684
Fund Balances:							
Nonspendable	86,492	-	-	-	-	80,282	166,774
Restricted	-	1,970,592	77,917	2,680,785	3,715,344	4,486,980	12,931,618
Committed	89,429	-	-	-	-	875,888	965,317
Assigned	95,635	-	-	-	-	-	95,635
Unassigned (Deficit)	2,504,493	-	-	-	-	-	2,504,493
Total fund balances	2,776,049	1,970,592	77,917	2,680,785	3,715,344	5,443,150	16,663,837
Total liabilities and fund balances	$ 5,786,482	$ 2,393,455	$ 163,817	$ 2,965,478	$ 3,715,344	$ 7,237,017	$ 22,261,593

See accompanying notes to the basic financial statements.

City of Vermilion, Ohio

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2019

Total governmental fund balances		$ 16,663,837
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		13,822,604
Other long-term assets are not available to pay for current-period expenditures and therefore are offset by deferred inflows of resources in the funds:		
Property taxes	$ 104,564	
Municipal income taxes	759,029	
Intergovernmental	496,577	
Special assessments	630,832	
Licenses and permits	42,327	
Charges for services	6,542	
Total		2,039,871
The net pension/OPEB liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred outflows - pension	$ 2,237,926	
Deferred outflows - OPEB	478,414	
Deferred inflows - pension	(171,211)	
Deferred inflows - OPEB	(200,861)	
Net pension liability	(7,879,733)	
Net OPEB liability	(2,191,296)	
Total		(7,726,761)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds		(27,444)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities		(36,325)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General obligation bonds	$ (8,464,308)	
Special assessment bonds	(1,076,961)	
Loans payable	(176,593)	
Police - Unfunded pension liability	(47,720)	
Capital lease	(370,243)	
Compensated absences	(433,448)	
Total		(10,569,273)
Net position of governmental activities		$ 14,166,509

City of Vermilion, Ohio

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

	General	Road Improvement Levy	General Obligation Bond Retirement	Fire Apparatus	Fire Station No. 1 Project	Other Governmental Funds	Total Governmental Funds
Revenues:							
Property taxes	$ 1,985,620	$ -	$ 77,634	$ 259,557	$ -	$ 740,104	$ 3,062,915
Municipal income taxes	2,409,720	1,363,426	-	-	-	-	3,773,146
Other local taxes	12,997	-	-	-	-	-	12,997
Special assessments	-	-	-	-	-	56,932	56,932
Charges for services	134,171	530	-	-	-	1,783,260	1,917,961
Licenses and permits	410,490	-	-	-	-	-	410,490
Fines and forfeitures	424,301	-	-	-	-	226,541	650,842
Intergovernmental	510,857	450,000	11,340	37,802	-	1,029,733	2,039,732
Investment income	346,361	-	-	-	46,596	1,397	394,354
Contributions and donations	39,825	-	-	-	-	20,213	60,038
Other	181,558	67,587	-	9,000	-	27,921	286,066
Total revenues	6,455,900	1,881,543	88,974	306,359	46,596	3,886,101	12,665,473
Expenditures:							
Current:							
General government	1,757,654	-	1,540	-	-	73,777	1,832,971
Security of persons and property:							
Police	2,443,428	-	-	-	-	308,277	2,751,705
Fire	286,855	-	-	82,556	331,252	352,832	1,053,495
Public health and welfare	-	-	-	-	-	135,086	135,086
Leisure time activities	107,144	-	-	-	-	432,380	539,524
Community development	210,805	-	-	-	-	-	210,805
Refuse	-	-	-	-	-	1,032,193	1,032,193
Basic utility services	84,617	-	-	-	-	-	84,617
Transportation	-	1,608,673	-	-	-	703,033	2,311,706
Debt service:							
Principal retirement	36,553	52,699	95,215	1,105	-	189,094	374,666
Interest and fiscal charges	8,475	91,433	4,722	72,229	-	121,152	298,011
Issuance costs	-	-	2,131	41,610	-	-	43,741
Total expenditures	4,935,531	1,752,805	103,608	197,500	331,252	3,347,824	10,668,520
Excess of revenues over (under) expenditures	1,520,369	128,738	(14,634)	108,859	(284,656)	538,277	1,996,953
Other financing sources (uses):							
Inception of capital lease	228,894	-	-	-	-	-	228,894
Bonds issued	-	-	-	-	4,000,000	-	4,000,000
Refunding bonds issued	-	-	69,000	-	-	52,000	121,000
Current refunding - principal	-	-	(75,000)	-	-	(50,000)	(125,000)
Premium on debt issued	-	-	-	48,064	-	-	48,064
OPWC loans	-	132,979	-	-	-	-	132,979
Transfers in	-	-	-	-	-	196,336	196,336
Transfers out	(196,336)	-	-	-	-	-	(196,336)
Total other financing sources (uses)	32,558	132,979	(6,000)	48,064	4,000,000	198,336	4,405,937
Net change in fund balances	1,552,927	261,717	(20,634)	156,923	3,715,344	736,613	6,402,890
Fund balances at beginning of year	1,223,122	1,708,875	98,551	2,523,862	-	4,706,537	10,260,947
Fund balances at end of year	$ 2,776,049	$ 1,970,592	$ 77,917	$ 2,680,785	$ 3,715,344	$ 5,443,150	$ 16,663,837

See accompanying notes to the basic financial statements.

City of Vermilion, 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		$ 6,402,890
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These activities consist of:		
Property taxes	$ (3,525)	
Municipal income taxes	209,662	
Intergovernmental	(180,581)	
Special assessments	(56,932)	
Charges for services	(19,664)	
Licenses and permits	42,327	
Other	(67,769)	
Net change in deferred inflows of resources during the year		(76,482)
Contractually required pension/OPEB contributions are reported as expenditures in the governmental funds however, the statement of activities reports these amounts as deferred outflows.		522,109
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		683,874
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General obligation bonds	$ 175,000	
Special assessment bonds	110,000	
Loans	123,874	
Capital lease	90,792	
Principal payments during the year		499,666
Some items reported in the statement of activities do not require the use of current financial activities consist of:		
Decrease in compensated absences	$ 20,354	
Decrease in police pension liability	2,147	
Amortization of premium	14,091	
Increase in accrued interest	(9,628)	
Total additional expenditures		26,964
The issuance of long term debt and inception of capital lease results in but these transactions are reflected in the statement of net position as long-term other financing sources in the governmental funds, but these transactions are reflected in the statement of net position as long-term liabilities.		(4,530,937)
The internal service fund used by management to charge the costs of medical, prescription drug, dental and vision claims to individual funds are not reported in the statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated.		(654,150)
Change in net position of governmental activities		$ 2,873,934

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

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Property taxes	$ 1,869,761	$ 1,988,929	$ 1,988,929	$ -
Municipal income taxes	2,300,000	2,390,000	2,422,468	32,468
Other local taxes	11,900	11,900	12,065	165
Charges for services	109,569	140,079	154,805	14,726
Licenses and permits	319,215	396,905	410,490	13,585
Fines and forfeitures	446,565	466,565	418,245	(48,320)
Intergovernmental	483,217	491,007	510,228	19,221
Investment income	235,000	294,000	324,116	30,116
Contributions and donations	39,933	40,825	39,825	(1,000)
Other	172,486	178,008	183,297	5,289
Total revenues	5,987,646	6,398,218	6,464,468	66,250
Expenditures:				
Current:				
General government	2,060,573	1,988,908	1,834,828	154,080
Security of persons and property:				
Police	2,544,275	2,482,275	2,276,559	205,716
Fire	284,300	301,725	292,955	8,770
Leisure time activities	75,903	86,255	77,754	8,501
Community development	183,417	218,622	211,774	6,848
Basic utility services	99,354	89,839	84,345	5,494
Debt service:				
Principal retirement	102,000	102,000	-	102,000
Interest and fiscal charges	2,280	2,280	4,739	(2,459)
Total expenditures	5,352,102	5,271,904	4,782,954	488,950
Excess of revenues over (under) expenditures	635,544	1,126,314	1,681,514	555,200
Other financing sources (uses):				
Proceeds from sale of capital assets	1,000	1,000	-	(1,000)
Advances in	163,300	188,300	173,000	(15,300)
Transfers out	(309,490)	(391,000)	(371,336)	19,664
Total other financing sources (uses)	(145,190)	(201,700)	(198,336)	3,364
Net change in fund balance	490,354	924,614	1,483,178	558,564
Fund balance at beginning of year	617,827	617,827	617,827	-
Prior year encumbrances appropriated	40,000	40,000	40,000	-
Fund balance at end of year	$ 1,148,181	$ 1,582,441	$ 2,141,005	$ 558,564

See accompanying notes to the basic financial statements.

City of Vermilion, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balance-
Budget (Non-GAAP Basis) and Actual
Road Improvement Levy Fund
For the Year Ended December 31, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues:				
Municipal income taxes	$ 1,340,500	$ 1,440,500	$ 1,380,620	$ (59,880)
Charges for services	-	601	530	(71)
Intergovernmental	-	-	450,000	450,000
Other	-	400,699	225,699	(175,000)
Total revenues	1,340,500	1,841,800	2,056,849	215,049
Expenditures:				
Current:				
Transportation	2,293,270	2,128,090	1,989,877	138,213
Debt service:				
Principal retirement	260,000	175,000	10,000	165,000
Interest and fiscal charges	45,200	45,200	85,139	(39,939)
Issuance costs	1,200	1,200	-	1,200
Total expenditures	2,599,670	2,349,490	2,085,016	264,474
Excess of revenues under expenditures	(1,259,170)	(507,690)	(28,167)	479,523
Other financing sources:				
Proceeds of OPWC loans	-	123,140	132,979	9,839
Net change in fund balance	(1,259,170)	(384,550)	104,812	489,362
Fund balance at beginning of year	1,014,147	1,014,147	1,014,147	-
Prior year encumbrances appropriated	373,320	373,320	373,320	-
Fund balance at end of year	$ 128,297	$ 1,002,917	$ 1,492,279	$ 489,362

See accompanying notes to the basic financial statements.

City of Vermilion, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2019

	Business-Type Activities - Enterprise Funds			Governmental
	Water	Sewer	Total	Internal Service Funds
Assets:				
Current assets:				
Equity in pooled cash and cash equivalents	$ 707,124	$ 850,743	$ 1,557,867	$ -
Cash and cash equivalents in segregated accounts	-	-	-	21,142
Receivables:				
Accounts	362,395	482,056	844,451	-
Special assessments	-	1,166,604	1,166,604	-
Prepaid items	-	7,887	7,887	-
Materials and supplies inventory	5,639	3,646	9,285	-
Total current assets	1,075,158	2,510,936	3,586,094	21,142
Noncurrent assets:				
Land	80,940	24,200	105,140	-
Construction in progress	335,657	91,350	427,007	-
Depreciable capital assets	3,844,423	5,436,399	9,280,822	-
Total noncurrent assets	4,261,020	5,551,949	9,812,969	-
Total assets	5,336,178	8,062,885	13,399,063	21,142
Deferred outflows of resources:				
Pension	372,939	327,011	699,950	-
OPEB	50,985	44,706	95,691	-
Total deferred outflows of resources	423,924	371,717	795,641	-
Liabilities:				
Current liabilities:				
Accounts payable	16,000	23,552	39,552	-
Accrued wages and benefits	28,892	26,308	55,200	-
Due to other funds	-	-	-	57,467
Intergovernmental payable	11,004	9,941	20,945	-
Accrued interest payable	5,244	67,728	72,972	-
Advances from other funds	20,000	-	20,000	-
Compensated absences payable	27,340	21,887	49,227	-
Special assessment bonds	-	167,730	167,730	-
General obligation bonds payable	342,250	138,020	480,270	-
OWDA loans payable	-	297,209	297,209	-
Capital lease payable	12,063	12,063	24,126	-
Total current liabilities	462,793	764,438	1,227,231	57,467
Long-term liabilities:				
Compensated absences payable - net of current portion	43,950	20,974	64,924	-
Special assessment bonds - net of current portion	-	1,798,981	1,798,981	-
General obligation bonds payable - net of current portion	1,729,933	1,075,087	2,805,020	-
OWDA loans payable - net of current portion	-	3,929,946	3,929,946	-
Capital lease payable - net of current portion	75,869	75,871	151,740	-
Net pension liability	1,251,946	1,097,766	2,349,712	-
Net OPEB liability	570,007	499,809	1,069,816	-
Total long-term liabilities	3,671,705	8,498,434	12,170,139	-
Total liabilities	4,134,498	9,262,872	13,397,370	57,467

(Continued)

City of Vermilion, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2019
(Continued)

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
Deferred inflows of resources:				
Pension	24,454	21,442	45,896	-
OPEB	7,853	6,885	14,738	-
Total deferred inflows of resources	32,307	28,327	60,634	-
Net position:				
Net investment in capital assets	2,188,837	(1,855,024)	333,813	-
Unrestricted	(595,540)	998,427	402,887	(36,325)
Total net position	$ 1,593,297	$ (856,597)	$ 736,700	$ (36,325)

See accompanying notes to the basic financial statements.

City of Vermilion, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
Operating revenues:				
Charges for services	$ 2,671,726	$ 2,010,416	$ 4,682,142	$ 6,892
Other	73,618	540,009	613,627	-
Total operating revenue	2,745,344	2,550,425	5,295,769	6,892
Operating expenses:				
Personal services	1,031,036	943,241	1,974,277	-
Contractual services	531,480	853,805	1,385,285	183,228
Supplies and materials	182,039	146,249	328,288	-
Utilities	64,495	183,188	247,683	-
Claims	-	-	-	477,814
Other operating costs	123	103	226	-
Total operating expenses	1,809,173	2,126,586	3,935,759	661,042
Operating income	936,171	423,839	1,360,010	(654,150)
Nonoperating revenues (expenses):				
Intergovernmental	23,368	62,452	85,820	-
Interest charges	(93,045)	(262,023)	(355,068)	-
Total nonoperating expenses	(69,677)	(199,571)	(269,248)	-
Change in net position	866,494	224,268	1,090,762	(654,150)
Net position at beginning of year	726,803	(1,080,865)	(354,062)	617,825
Net position at end of year	$ 1,593,297	$ (856,597)	$ 736,700	$ (36,325)

See accompanying notes to the basic financial statements.

City of Vermilion, Ohio

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
Cash flows from operating activities:				
Cash received from customers	$ 2,649,674	$ 2,000,225	$ 4,649,899	$ 6,892
Cash received from other operating sources	76,491	571,780	648,271	-
Cash payments for employee services and benefits	(790,441)	(733,118)	(1,523,559)	-
Cash payments to suppliers for goods and services	(796,068)	(1,273,670)	(2,069,738)	(183,228)
Cash payments for claims	-	-	-	(641,092)
Net cash provided by operating activities	1,139,656	565,217	1,704,873	(817,428)
Cash flows from noncapital financing activities:				
Advances from other funds	-	-	-	57,467
Advances to other funds	(150,000)	-	(150,000)	-
Net cash used for noncapital financing activities	(150,000)	-	(150,000)	57,467
Cash flows from capital and related financing activities:				
Grants	23,368	62,452	85,820	-
Cash received from special assessments	-	119,502	119,502	-
Issuance of bonds	432,000	653,000	1,085,000	-
Principal payments on bonds	(748,500)	(1,011,500)	(1,760,000)	-
Principal payments on OWDA loans	-	(289,402)	(289,402)	-
Principal payments on other loans	(99,872)	(125,447)	(225,319)	-
Principal payments on capital leases	(11,715)	(11,715)	(23,430)	-
Interest payments on bonds, loans, notes and leases	(93,677)	(273,221)	(366,898)	-
Issuance cost of debt	(10,209)	(15,432)	(25,641)	-
Net cash used for capital and related financing activities	(508,605)	(891,763)	(1,400,368)	-
Net increase (decrease) in cash and cash equivalents	481,051	(326,546)	154,505	(759,961)
Cash and cash equivalents at beginning of year	226,073	1,177,289	1,403,362	781,103
Cash and cash equivalents at end of year	$ 707,124	$ 850,743	$ 1,557,867	$ 21,142

(Continued)

See accompanying notes to the basic financial statements.

City of Vermilion, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Business-Type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Water	Sewer	Total	
(Continued)				
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	$ 936,171	$ 423,839	1,360,010	$ (654,150)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Change in assets, deferred outflows, liabilities and deferred inflows:				
(Increase) decrease in assets and deferred outflows:				
Accounts receivable	(19,179)	21,580	2,401	-
Materials and supplies inventory	(1,392)	2,537	1,145	-
Prepaid items	-	(7,887)	(7,887)	-
Deferred outflows of resources - pension	(194,172)	(170,259)	(364,431)	-
Deferred outflows of resources - OPEB	(16,736)	(14,675)	(31,411)	-
Increase (decrease) in liabilities and deferred inflows:				
Accounts payable	(16,539)	(84,975)	(101,514)	-
Accrued wages and benefits	100	1,119	1,219	-
Compensated absences	1,002	(1,575)	(573)	-
Intergovernmental payable	(737)	(64)	(801)	-
Claims payable	-	-	-	(163,278)
Net pension liability	543,451	476,524	1,019,975	-
Net OPEB liability	104,608	91,725	196,333	-
Deferred inflows of resources - pension	(158,023)	(138,563)	(296,586)	-
Deferred inflows of resources - OPEB	(38,898)	(34,109)	(73,007)	-
Net cash provided by operating activities	$ 1,139,656	$ 565,217	$ 1,704,873	$ (817,428)

See accompanying notes to the basic financial statements.

City of Vermilion, Ohio

Statement of Fiduciary Assets and Liabilities

Agency Funds

December 31, 2019

		Agency
Assets:		
Equity in pooled cash and cash equivalents	$	92,542
Cash and cash equivalents:		
In segregated accounts		20,578
Total assets	$	113,120
Liabilities:		
Accounts payable	$	2,626
Intergovernmental payable		31,409
Undistributed monies		18,747
Due to component unit		60,338
Total liabilities	$	113,120

See accompanying notes to the basic financial statements.

NOTE 1 – DESCRIPTION OF THE CITY

The City of Vermilion (the "City") is a charter municipal corporation operating under the laws of the State of Ohio. Vermilion was incorporated as a City in 1962. The current charter provides for a council-mayor form of government. Legislative power is vested in a seven-member council, each elected to two year terms. Five council members are elected from their ward with two elected at large. The four-year term mayor appoints department directors and public members of administrative bodies. The judge for the Vermilion Municipal Court is elected to a six year term.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

The City provides various services including police protection, firefighting and prevention, emergency medical services, street maintenance and repairs, sanitation services, building inspection services, parks and recreation, water and sewer services, water safety and ice breaking services, cemeteries, and a municipal court. The operation of each of these activities is directly controlled by the council through the budgetary process. None of these services are provided by a legally separate organization; therefore, these operations are included in the primary government.

Component units are legally separate organizations for which the City, as the primary government, is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and 1) the City is able to significantly influence the programs or services performed or provided by the organization; or 2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt, or the levying of taxes.

The Vermilion Municipal Court - The City budgets and appropriates funds for the operation of the Court and is ultimately responsible for any operating deficits sustained by the Court. The City's share of the fines collected by the Court along with its share of the Court's administrative and operating costs are recorded pursuant to State law in the City's general fund. Due to this relationship, the Court is not considered a component unit of the City but rather as part of the primary government unit itself. Monies held by the Court in a fiduciary capacity are recorded as an agency fund in the accompanying financial statements.

Based on the above criteria, the following organization is included in the City's financial statements as a discretely presented component unit.

The Vermilion Port Authority – Current state legislation provides for the Port Authority to operate as a separate body politic. The Vermilion Port Authority consists of five members appointed by the Mayor and approved by City Council. Monies are received and disbursed by the City's Finance Director on behalf of the Port Authority as directed by the five member board.

B. Basis of Presentation

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

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The financial activities of the discretely presented component unit are also reflected on the government wide financial statements. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

C. Fund Accounting

The City's accounting system is organized and operated on the basis of funds. The operation of each fund is accounted for within a set of self-balancing accounts recording cash and other financial resources, together with all related liabilities, deferred inflows of resources and residual equities or balances, and changes therein which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Funds are classified into three categories: governmental, proprietary, and fiduciary.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The following are the City's major governmental funds:

General Fund - To account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Road Improvement Levy Fund - To account for expenditures on road improvements made from revenue derived from a .5% income tax levy.

General Obligation Bond Retirement Fund - To account for various revenues collected for the payment of general obligation bonded debt.

Fire Apparatus Fund - To account for expenditures of the City's fire department for the funding of different types of fire apparatus.

Fire Station No. 1 Project Fund - To account for expenditure of bond proceeds used for the design and construction a new fire station.

Proprietary Funds – Proprietary funds are used to account for the City's ongoing organizations and activities which are similar to those found in the private sector. All proprietary funds are accounted for on a flow of economic resources measurement focus. With this approach, the focus is upon the determination of net income, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service:

Enterprise Funds The enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Water Fund - This fund accounts for the revenues and expenses of the City owned water system.

Sewer Fund - This fund accounts for the revenues and expenses of the City owned sewer system.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The internal service fund is used to account for the operating of the City's self-insurance program for employee health benefits and prescription drugs.

Fiduciary Funds – Fiduciary funds reporting focuses on net position and changes in net position. The fiduciary fund category is spilt 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. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds account for municipal court's undistributed monies, port authority operating funds, collections from commercial building, street opening, state highway patrol, and deposits held for contractors.

D. Measurement Focus

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

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

Like the government-wide statements, all proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increase (i.e., revenues) and decrease (i.e., expenses) in net total assets. The statement of cash flows provides information about the City finances and meets the cash flow needs of its proprietary activities. Agency funds do not report a measurement focus as they do not report operations.

E. Basis of Accounting

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

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

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, estate taxes, motel-hotel taxes, property taxes, estate taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes, estate taxes, and motel-hotel taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal 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 the nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: income tax, interest, federal and state grants and subsidies, state-levied locally shared taxes (including motor vehicle license fees and gasoline taxes), fees and rentals.

Deferred Outflows/Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources, represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and postemployment benefits (OPEB). The deferred outflows of resources related to pension and OPEB are explained in Note 12 and 13.

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes and unavailable revenues. 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 deferred inflows on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported 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, income taxes, franchise taxes, intergovernmental grants, special assessments, and charges for services. These amounts are deferred and recognized as inflows of resources in the period the amounts become available. Deferred inflows of resources related to pension and OPEB are reported on the government-wide statement of net position. (See Note 12 and 13)

Expense/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 the governmental funds.

F. Budgetary Data

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. The certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that the appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the object level of personal services, capital expenses, and other for all funds. Budgetary modifications may only be made by ordinance of the City Council at the legal level of control.

Tax Budget – During the first Council meeting in July, 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 20 of each year, for the period January 1 to December 31 of the following year.

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 October 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 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal 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 measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 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 amounts reported on the budgetary statement reflect the amounts in the final amended official certificate of estimated resources issued during 2019.

Appropriations – A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and breakouts the personal services for each department in the general fund. The other funds show the amount for personal services and other. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations within a fund may be modified during the year by an ordinance of Council. During the year, several supplemental appropriation measures were passed. The budget figures which appear in the statement of budgetary comparisons represent the final appropriation amounts, including all amendments and modifications.

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 re-appropriated.

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 reserve that portion of the applicable appropriation and to determine and maintain legal compliance. The Ohio Revised Code prohibits expenditures plus encumbrances from exceeding appropriations.

G. Equity in Pooled Cash and Investments

To improve cash management, cash received by the City is pooled. Monies for all funds, except for the claims rotary trust internal service fund and municipal court agency fund, are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The City has segregated bank accounts for monies held separate from the City's central bank account. These interest bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" since they are not required to be deposited into the City treasury. The cash of the claims rotary trust internal service fund and municipal court agency fund are included in this line item.

During 2019, investments were limited to certificates of deposits, commercial paper, port authority bond, government-sponsored enterprise (GSE) investments, U.S. government treasury notes and an interest in the State Treasury Asset Reserve of Ohio (STAR Ohio). The GSE investments held at year-end were issued from Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB) and Federal Farm Credit Bank (FFCB).

Investments are reported at fair value which is based on quoted market prices, with the exception of nonparticipating repurchase agreements, which are reported at cost. For investments in open-end mutual funds, fair value is determined by the fund's share price.

The City's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio 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 is appreciated 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.

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

H. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and should be updated for additions and retirements during the year. Capital assets were initially determined at December 31, 1989, by assigning original acquisition costs when such information was available. In cases where information supporting original costs was not practicably determinable, estimated historical costs were developed. For certain capital assets, the estimates were calculated by indexing estimated current costs back to the estimated year of acquisition. Donated capital assets are recorded at their acquisition values as of the date received. The City maintains a capitalization threshold of $5,000 for the governmental activities. No capitalization threshold is used for the business-type activities. The City's infrastructure consists of roads, guardrails, bridges, water lines, sewer lines and storm water drainage. 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 capitalized. Interest incurred during the construction of capital assets is also capitalized.

All reported capital assets are depreciated except for land and construction in progress. Depreciation is determined by allocating the cost of capital assets over the estimated useful lives of the assets on a straight-line basis. The estimated useful lives are as follows:

Description	Governmental Activities Estimated Lives	Business-Type Activities Estimated Lives
Buildings	20 Years	20 Years
Equipment	5-10 Years	5-10 Years
Furniture	20 Years	20 Years
Land Improvement	10-20 Years	10-20 Years
Infrastructure	20 Years	5-50 Years
Traffic Lights	20 Years	N/A
Vehicles	3-5 Years	3-5 Years

Interest is capitalized on capital assets acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset.

I. Pension and other postemployment benefits (OPEB)

For purposes of measuring the net pension/OPEB liability, 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.

The current accounting standard requires Cities to report their proportionate share of the net pension/OPEB liability using the earning approach to pension and OPEB accounting instead of the funding approach as previously used. The funding approach limited pension and postemployment costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. Under the new standards, the net pension/OPEB liability equals the City's proportionate share of each plan's collective present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service minus plan assets available to pay these benefits.

Pension and OPEB obligations, whether funded or unfunded, are part of the employment exchange. The employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. The unfunded portion of this benefit of exchange is a liability of the City. However, the City is not responsible for key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension/OPEB benefits with the employer. Benefit provisions and both employer and employee contribution rates are determined by State statute. The employee and employer enter the employment exchange with the knowledge that the exchange is limited by law. The pension system is responsible for the administration of the pension and OPEB plans.

There is no repayment schedule for the net pension/OPEB liability. The City has no control over the changes in the benefits, contributions rates, and return on investments affecting the balance of the liabilities. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not identify the responsible party for the unfunded portion. Due to the unique nature of how the pension/OPEB liability is satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

J. Compensated Absences

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

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

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

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

K. 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 in 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 and net pension/OPEB liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases and long-term loans are recognized as a liability in the fund financial statements when due.

L. Interfund Transactions

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

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

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivable/interfund payable" for the current portion of interfund loans or advances to/from other funds for the noncurrent portion of interfund loans. These amounts are eliminated in the Statement of Net Position, except for any residual balances outstanding between the governmental activities and business-type activities, which are reported in the government-wide financial statements as "internal balances". Long-term advances between funds, as reported in the governmental fund financial statements, are often offset by a nonspendable fund balance classification in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

M. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for the water, sewer activities, and self-insurance program. Operating expenses are necessary costs incurred to provide the goods and services that are the primary activity of the fund. All revenues and expenses not meeting these definitions are classified as nonoperating.

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, prepaid items, materials and supplies inventory, and endowments.

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). 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. The finance director is authorized to assign fund balance using encumbrances for planned purchases, provided such amounts have been lawfully appropriated. City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

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

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

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 accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or law or regulations of other governments.

The City reported no significant net position balances restricted by enabling legislation. Net position restricted for other purposes primarily consists of balances restricted for operating expenses of the City's fire department and for capital improvements.

P. Estimates

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

NOTE 3 – FUND BALANCE

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

Fund Balances	General	Road Improvement Levy	General Obligation Bond Retirement	Fire Apparatus	Fire Station No. 1 Project	Other Governmental Funds	Total Governmental Funds
Nonspendable							
Materials and supplies inventory	$ -	$ -	$ -	$ -	$ -	$ 19,250	$ 19,250
Prepaids	66,492	-	-	-	-	-	66,492
Advances	20,000	-	-	-	-	-	20,000
Endowments	-	-	-	-	-	61,032	61,032
Total nonspendable	86,492	-	-	-	-	80,282	166,774
Restricted for							
Streets and highways	-	1,970,592	-	-	-	376,322	2,346,914
Court activities	-	-	-	-	-	1,403,298	1,403,298
Police services	-	-	-	-	-	89,050	89,050
Fire and EMS services	-	-	-	-	-	964,132	964,132
Capital improvements	-	-	-	2,680,785	3,715,344	1,265,289	7,661,418
Economic development	-	-	-	-	-	66,242	66,242
Recreation	-	-	-	-	-	158,490	158,490
Cemetary or public health	-	-	-	-	-	6,663	6,663
Recycling	-	-	-	-	-	1,420	1,420
Debt service payments	-	-	77,917	-	-	-	77,917
Special assessment debt retirement	-	-	-	-	-	156,074	156,074
Total restricted	-	1,970,592	77,917	2,680,785	3,715,344	4,486,980	12,931,618
Committed							
Recreation	-	-	-	-	-	3,587	3,587
Stormwater system	-	-	-	-	-	514,395	514,395
Sanitation	-	-	-	-	-	357,906	357,906
Employee retirements	89,429	-	-	-	-	-	89,429
Total committed	89,429	-	-	-	-	875,888	965,317
Assigned							
Encumbrances	95,635	-	-	-	-	-	95,635
Unassigned (deficit)	2,504,493	-	-	-	-	-	2,504,493
Total fund balances	$ 2,776,049	$ 1,970,592	$ 77,917	$2,680,785	$3,715,344	$ 5,443,150	$ 16,663,837

NOTE 4 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP 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) and Actual presented for the general fund and major special revenue funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget and to demonstrate compliance with state statute. The major differences between the budget basis and the GAAP are:

- Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
- Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
- Encumbrances are treated as expenditures (budget) rather than restricted, committed or assigned fund balance (GAAP).
- Advances in and advances out ("repayment of advances") are nonoperating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).
- The revenues, expenditures and other financing sources and uses of the general fund include activity that is budgeted within special revenues funds (GAAP basis). However, on the budgetary basis, the activity of the special revenue funds is excluded resulting in perspective differences.

The following table summarizes the adjustments necessary to reconcile the GAAP basis financial statements to the budgetary basis financial statements for the major governmental funds.

Net Change in Fund Balances
Major Governmental Funds

	General	Road Improvement Levy
GAAP basis	$ 1,552,927	$ 261,717
Revenue accruals	(40,723)	175,306
Expenditure accruals	(12,522)	88,560
Budgeted as part of special revenue funds:		
Revenues	(6,603)	-
Expenditures	100,372	-
Encumbrances (Budget Basis) outstanding at year end	(110,273)	(420,771)
Budget basis	$ 1,483,178	$ 104,812

NOTE 5 - DEPOSITS AND INVESTMENTS

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

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

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

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

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds with the City Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Interim monies may be invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Bonds and other obligations of the State of Ohio and political subdivisions;

4. 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;

5. The State Treasurer's investment pool (STAR Ohio);

6. Certain banker's acceptances and commercial paper notes in an amount not to exceed 25% of the interim monies available for investment at any one time; and,

7. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. Interest revenue credited to the general fund during fiscal year 2019 amounted to $346,361, which includes $301,046 assigned from other City's funds.

Custodial Credit Risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or be protected by: eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five 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 market value of the securities pledged to be one hundred two percent of the deposits being secured or a lower rate if permitted by the Treasurer of State.

Deposits: At year-end, the carrying amount of the City's deposits was $628,225 and the bank balance was $991,512. At year-end, the bank balance was protected by pledged collateral for any uninsured amounts. In addition, at year-end, the City had $250 in undeposited cash on hand which is included as part of "equity in pooled cash and cash equivalents."

Investments: Investments are reported at fair value. As of December 31, 2019, the City had the following investments:

		Portfolio	Maturity				
		Ratio	< 1 yr.	< 2 yr.	< 3 yr.	< 4 yr.	< 5 yr.
Government sponsored securities:							
Federal National Mortgage Assn.	$ 449,037	2.67%	$ 299,721	$ -	$ -	$ -	$ 149,316
Federal Home Loan Mortgage Corp.	1,169,336	6.96%	769,222	-	-	-	400,114
Federal Home Loan Bank	599,802	3.57%	299,832	-	-	-	299,970
Federal Farm Credit Bank	1,573,609	9.37%	599,169	-	-	224,520	749,920
Other investments:							
US Treasury securities	1,656,247	9.87%	626,062	374,080	553,011	103,094	-
Certificate of deposits	1,819,895	10.84%	150,290	375,289	248,327	661,909	384,080
Commercial paper	3,910,229	23.29%	3,910,229	-	-	-	-
Money market mutual fund	98,238	0.59%	98,238				
Port Authority Bond	922,629	5.50%					
Star Ohio	4,589,895	27.34%					
Total investments	$ 16,788,917	100.00%					

Note: Port Authority bond has annual principal reductions with a balloon payment due in 2040.
Star Ohio has average daily maturity: 55.7 days

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The preceding table identifies the City's recurring fair value measurement as of December 31, 2019. As previously discussed, Star Ohio is reported at its net asset value. All other investments of the City are valued using Level 2 inputs using valuations techniques that incorporate market data for similar investments, broker quotes and inactive transactions prices.

Custodial Risk: For an investment, custodial risk is the risk that in the event of failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The securities, held by the counterparty and not in the City's name, are the Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), Federal Home Loan Bank (FHLB), and Federal Farm Credit Bank (FFCB). The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Finance Director or qualified trustee.

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

Credit Risk: is the possibility that an issuer or other counterparty to an investment will not fulfill its obligation. The investments in FNMA, FHLMC, FHLB and FFCB are registered and carry a rating AA+ by Standard & Poor's. The City's investment in STAR Ohio has an AAAm credit rating. All of the City's negotiable certificates of deposit are covered by FDIC. The City's investment in the Vermilion Port Authority bond has not yet been rated.

Concentration of Credit Risk: is the possibility of loss attributed to the magnitude of the City's investment in a single issuer. More than 5% of the City's investments are in securities issued by FHLMC, FFCB and the Vermilion Port Authority bond. The City places no limit on the amount the City may invest in any one issuer. The table above is the City's allocation as of December 31, 2019.

NOTE 6 – TAXES

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) is for 2019 taxes.

2019 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% of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35% of true value. 2018 public utility property taxes became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Vermilion. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for all City operations for the year ended December 31, 2019 was $11.75 per $1,000 of assessed value. The assessed values of real and tangible personal property upon which 2018 property tax receipts were based are as follows:

	Erie County	Lorain County
Real estate		
Residential/agricultural/other	$ 122,636,060	$ 133,864,210
Commerical/industrial	12,255,100	21,657,780
Public utility	43,250	79,290
Tangible personal property		
Public utility	2,425,030	2,760,180
Total valuation	$ 137,359,440	$ 158,361,460

B. Income Taxes

The City levies a municipal income tax of 1.5% on all salaries, wages, commission and other compensation, and net profits earned within the City as well as incomes of residents earned outside of the City. In the latter case, the City allows a credit not to exceed 100% of the tax paid to another municipality by the lower of the tax rate in such municipality or the rate of .5%.

Employers within the City are required to withhold income tax on employee compensation and remit the tax to the City either monthly or quarterly. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. Regional Income Tax Agency (RITA) is the City's collection agent for its local income tax. Income tax proceeds are receipted to the general fund and the road improvement levy fund.

NOTE 7 – RECEIVABLES

Receivables at December 31, 2019 consisted of taxes, accounts (billing for user charged services), intergovernmental receivables, and special assessments. All receivables are considered fully collectible in full due to the ability to foreclose for the nonpayment of taxes.

A summary of the principal items of intergovernmental receivables follows:

	Governmental Activities
Gasoline tax	$ 318,606
Local government	81,683
Permissive tax	39,375
Homestead/rollback	207,564
Motor vehicle registration	35,336
Other	948
Total	$ 683,512

NOTE 8 – CAPITAL ASSETS

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

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 719,099	$ -	$ -	$ 719,099
Construction in progress	2,961,068	-	-	2,961,068
Total capital assets, not being depreciated	3,680,167	-	-	3,680,167
Capital assets, being depreciated:				
Buildings	1,494,274	-	-	1,494,274
Equipment	886,466	-	-	886,466
Furniture	11,869	-	-	11,869
Infrastructure	18,787,706	-	-	18,787,706
Land improvements	1,479,508	-	-	1,479,508
Traffic lights	69,525	-	-	69,525
Vehicles	3,476,103	-	-	3,476,103
Total capital assets, being depreciated	26,205,451	-	-	26,205,451
Less accumulated depreciation:				
Buildings	(407,293)	-	-	(407,293)
Equipment	(684,556)	-	-	(684,556)
Furniture	(5,941)	-	-	(5,941)
Infrastructure	(12,379,457)	-	-	(12,379,457)
Land improvements	(701,805)	-	-	(701,805)
Traffic lights	(28,714)	-	-	(28,714)
Vehicles	(1,855,248)	-	-	(1,855,248)
Total accumulated depreciation	(16,063,014)	-	-	(16,063,014)
Total capital assets being depreciated, net	10,142,437	-	-	10,142,437
Governmental activities capital assets, net	$ 13,822,604	$ -	$ -	$ 13,822,604

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 105,140	$ -	$ -	$ 105,140
Construction in progress	427,007	-	-	427,007
Total capital assets, not being depreciated	532,147	-	-	532,147
Capital assets, being depreciated:				
Buildings	5,332,993	-	-	5,332,993
Equipment	5,810,847	-	-	5,810,847
Furniture	22,854	-	-	22,854
Infrastructure	6,617,464	-	-	6,617,464
Land improvements	43,749	-	-	43,749
Vehicles	337,051	-	-	337,051
Total capital assets, being depreciated	18,164,958	-	-	18,164,958
Less accumulated depreciation:				
Buildings	(4,480,318)	-	-	(4,480,318)
Equipment	(2,577,328)	-	-	(2,577,328)
Furniture	(23,027)	-	-	(23,027)
Infrastructure	(1,431,399)	-	-	(1,431,399)
Land improvements	(43,136)	-	-	(43,136)
Vehicles	(328,928)	-	-	(328,928)
Total accumulated depreciation	(8,884,136)	-	-	(8,884,136)
Total capital assets being depreciated, net	9,280,822	-	-	9,280,822
Business-type activities capital assets, net	$ 9,812,969	$ -	$ -	$ 9,812,969

The City is in the process of updating their books for capital assets therefore, no additions or deletions are shown for the current year.

NOTE 9 – COMPENSATED ABSENCES

Employees earn vacation and sick leave at different rates which is also affected by length of service. Vacation cannot be carried over for use in the following year. Sick leave accrual is continuous, without limit. Overtime worked is always paid to employees on the paycheck for the period in which it was worked. Upon retirement or death, employees (or the employees' estates) are paid for their accumulated leave with 1,000 hours being the maximum amount paid, except for patrolmen. Full-time patrolmen are paid for one half of their accumulated leave with 1,000 hours being the maximum amount paid. Part-time patrolmen and dispatchers who retire after accumulating 10 years in the Ohio Public Employees Retirement System are paid one half of their accumulated leave with 1,000 hours being the maximum amount paid. Upon retirement, accrued vacation is paid for the time the employees have earned but not used.

The current portion of unpaid compensated absences is recorded as a current liability on the fund financial statements in the fund from which the employees who have accumulated unpaid leave are paid. On the government-wide statements, the entire amount of compensated absences is reported as a liability. As of December 31, 2019 the liability for long-term unpaid compensated absences was $433,448 for the governmental activities, which would be paid from the general fund and the street maintenance and repair fund. The liability for long-term unpaid compensated absences for business-type activities was $114,151 which would be paid from water and sewer fund.

NOTE 10 – LONG-TERM OBLIGATIONS

The City's long-term obligations at year-end and a schedule of current year activity follow:

	Balance 1/1/2019	Increases	Decreases	Balance 12/31/2019	Due in One Year
Governmental activities:					
General obligations bonds					
2009 Various purpose, 2-4.375%	$ 90,000	-	$ (90,000)	$ -	$ -
2011 Park improvement refunding, 2-3%	85,000	-	(40,000)	45,000	45,000
Premium	460	-	(301)	159	-
2012 Various purpose Lagoons, 3-4%	1,320,000	-	(30,000)	1,290,000	40,000
Premium	52,464	-	(5,610)	46,854	-
2012 Various purpose Nautical Dr., 3-4%	130,000	-	(5,000)	125,000	5,000
Premium	5,765	-	(627)	5,138	-
2018 Various purpose Streets, 3.25-5%	2,315,000	-	(10,000)	2,305,000	20,000
Premium	34,287	-	(2,823)	31,464	-
2018 Various purpose Elberta Rd. Drainage, 3.25-5%	375,000	-	-	375,000	5,000
Premium	5,336	-	-	5,336	-
2018 Various purpose Parking Lot, 3.25-5%	115,000	-	-	115,000	5,000
Premium	3,293	-	-	3,293	-
2019 Various purpose refunding Street, 2.26%	-	69,000	-	69,000	8,000
2019 Fire Station Improvement, 3-4%	-	4,000,000	-	4,000,000	90,000
Premium	-	48,064	-	48,064	-
Total general obligations bonds	4,531,605	4,117,064	(184,361)	8,464,308	218,000
Special assessment bonds					
2011 Refunding - Edson Street, 2-3.85%	495,000	-	(30,000)	465,000	30,000
Premium	1,875	-	(251)	1,624	-
2009 Various purpose - Edgewater, 2-4.375%	55,000	-	(55,000)	-	-
2012 Various purpose Lagoons, 3-4%	460,000	-	(10,000)	450,000	15,000
Premium	18,630	-	(1,996)	16,634	-
2018 Various purpose refunding Highbridge, 5%	100,000	-	(15,000)	85,000	15,000
Premium	9,186	-	(2,483)	6,703	-
2019 Various purpose - Edgewater, 2.26%	-	52,000	-	52,000	3,000
Total special assessment bonds	1,139,691	52,000	(114,730)	1,076,961	63,000
Ohio Public Works (OPWC) loans					
Hollyview Drive Reconstruction	-	132,979	-	132,979	-

(Continued)

	Balance 1/1/2019	Increases	Decreases	Balance 12/31/2019	Due in One Year
Governmental activities (Continued):					
Other long term obligations					
Capital lease	232,141	-	(54,239)	177,902	56,585
2016 Lease-purchase loan	86,168	-	(42,554)	43,614	43,614
2019 Lease purchase police vehicles	-	228,894	(36,553)	192,341	74,989
Energy conservation loan	81,320	-	(81,320)	-	-
Compensated absences	453,802	155,631	(175,985)	433,448	135,382
Police unfunded pension liability	49,867	-	(2,147)	47,720	2,239
Net pension liability:					
OPERS	2,160,386	1,657,126	-	3,817,512	-
OP&F	3,108,631	953,590	-	4,062,221	-
Net OPEB liability:					
OPERS	1,419,125	318,975	-	1,738,100	-
OP&F	2,869,775	-	(2,416,579)	453,196	-
Total other long term obligations	10,461,215	3,314,216	(2,809,377)	10,966,054	312,809
Total governmental activities long term obligations	$ 16,132,511	$ 7,616,259	$ (3,108,468)	$ 20,640,302	$ 593,809

	Balance 1/1/2019	Increases	Decreases	Balance 12/31/2019	Due in One Year
Business type activities:					
General obligations bonds and refunding bonds					
Water fund					
2012 Water system refunding, 2.75-4%	$ 460,000	$ -	$ (45,000)	$ 415,000	$ 45,000
Premium	2,450	-	(466)	1,984	-
2009 Various purpose - water treatment, 2-4.375%	443,000	-	(443,000)	-	-
2010 General obligation - water, 2-4.125%	395,000	-	(25,000)	370,000	30,000
2011 Water improvement bonds, 2-3.85%	215,000	-	(15,000)	200,000	15,000
2011 Waterwork improvement refunding, 2-3%	551,000	-	(180,500)	370,500	185,250
Premium	4,305	-	(1,863)	2,442	-
2018 Various purpose refunding waterworks, 5%	65,000	-	(10,000)	55,000	10,000
Premium	5,950	-	(1,611)	4,339	-
2018 Various purpose refunding water plant, 5%	235,000	-	(30,000)	205,000	35,000
Premium	21,763	-	(5,845)	15,918	-
2019 Various purpose refunding - water treatment, 2.26%	-	432,000	-	432,000	22,000
Total water fund bonds	2,398,468	432,000	(758,285)	2,072,183	342,250

(Continued)

	Balance 1/1/2019	Increases	Decreases	Balance 12/31/2019	Due in One Year
Business type activities (Continued):					
General obligations bonds and refunding bonds					
Sewer fund					
1999 E. Liberty Avenue, phase I, 4.15-6.5%	75,000	-	(75,000)	-	-
2005 Sunnyside sanitary sewer, 4.9%	177,345	-	(22,520)	154,825	22,520
2009 Various purpose -					
East Liberty, 2-4.375%	336,000	-	(336,000)	-	-
2012 Various purpose sanitary sewer, 3-4%	170,000	-	(5,000)	165,000	5,000
Premium	7,327	-	(788)	6,539	-
2018 Various purpose refunding sewage sytem, 5%	60,000	-	(10,000)	50,000	10,000
Premium	5,268	-	(1,505)	3,763	-
2018 Various purpose refunding wastewater treatment, 5%	550,000	-	(80,000)	470,000	85,000
Premium	50,175	-	(13,695)	36,480	-
2019 Various purpose - East Liberty, 2.26%	-	326,500	-	326,500	15,500
Total sewer fund general obligations bonds	1,431,115	326,500	(544,508)	1,213,107	138,020
Total general obligations bonds and refunding bonds	3,829,583	758,500	(1,302,793)	3,285,290	480,270
Special assessment bonds					
Sewer fund					
2011 Highbridge refunding, 2%-3%	29,000	-	(9,500)	19,500	9,750
Premium	185	-	(93)	92	-
2009 Various purpose -					
East Liberty, 2-4.375%	336,000	-	(336,000)	-	-
2005 Sunnyside sanitary SA 4.9%	137,655	-	(17,480)	120,175	17,480
2010 General obligation, 2%-4.125%	1,455,000	-	(100,000)	1,355,000	100,000
2018 Various Purpose Refunding Lagoon, 5%	155,000	-	(20,000)	135,000	25,000
Premium	14,299	-	(3,855)	10,444	-
2019 Various purpose - East Liberty, 2.26%	-	326,500	-	326,500	15,500
Total special assessment bonds	2,127,139	326,500	(486,928)	1,966,711	167,730

(Continued)

	Balance 1/1/2019	Increases	Decreases	Balance 12/31/2019	Due in One Year
Business type activities (Continued):					
OWDA Loans					
Sewer fund					
2011 WWTP Bio-solids dewatering facility, 2.62%	485,114	-	(31,770)	453,344	32,608
2012 Primary clarifier improvements, 2.80%	89,979	-	(5,331)	84,648	5,481
2001 Park drive lift station, 4.38%	13,205	-	(6,460)	6,745	6,745
2001 Contract B lift stations, 2.58%	237,636	-	(77,190)	160,446	79,195
2012 Elberta Beach SSO elimination 2.48%	1,173,509	-	(62,939)	1,110,570	64,510
2015 River Pump Station, 2.78%	2,517,114	-	(105,712)	2,411,402	108,670
Total sewer OWDA Loans	4,516,557	-	(289,402)	4,227,155	297,209
Total Ohio Water Development Authority Loans	4,516,557	-	(289,402)	4,227,155	297,209
Other long term obligations					
Energy conservation loan - Water	99,872	-	(99,872)	-	-
Energy conservation loan - Sewer	125,447	-	(125,447)	-	-
Capital lease - Water	99,647	-	(11,715)	87,932	12,063
Capital lease - Sewer	99,649	-	(11,715)	87,934	12,063
Compensated absences	114,724	52,570	(53,143)	114,151	49,227
Net pension liability:					
Water	708,495	543,451	-	1,251,946	-
Sewer	621,242	476,524	-	1,097,766	-
Total net pension liability	1,329,737	1,019,975	-	2,349,712	-
Net OPEB liability:					
Water	465,399	104,608	-	570,007	-
Sewer	408,084	91,725	-	499,809	-
Total net OPEB liability	873,483	196,333	-	1,069,816	-
Total other long-term obligations	2,742,559	1,268,878	(301,892)	3,709,545	73,353
Total business type activities long term obligations	$ 13,215,838	$ 2,353,878	$ (2,381,015)	$ 13,188,701	$ 1,018,562

During 2019, the City issued, at par, $1,206,000 Various Purpose Refunding Bonds with an interest rate of 2.26% to be used for a current refunding of the 2009 Various Purpose Bonds described below. The proceeds of the new bonds, except those amounts used to cover the cost of issuance, were placed in an escrow account to repay $1,155,000 of old bonds were called for redemption on December 1, 2019. The difference between the reacquisition price and the net carrying amount of the old debt was not significant and expensed. The City refunded the old bonds to reduce their total debt service payments over the next ten years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $84,135.

During 2019, the City issued $4,000,000 of Fire Station Improvement Bonds with an average interest rate of 3-4% and maturing December 1, 2043. The bonds were sold for a premium of $48,064 and the proceeds are being used for the design and construction of a new Fire Station No. 1.

During 2019, the City received interest-free loan proceeds from the Ohio Public Works Commission (OPWC). A portion of the loan, $132,979, was drawn in 2019 with a final amount in 2020. The $137,500 loan is scheduled to be paid back in equal installments of $6,875 over 20 years. The first payment is due in 2021.

During 2018, the City issued $3,970,000 Various Purpose Bonds and Refunding Bonds with an average interest rate of 3-5% to current refund the 2004 Various Purpose General Obligation Bonds. Included in the $3,970,000 General Obligation Various Purpose Bonds and Refunding Bonds were $2,315,000 Street bonds, $375,000 Elberta Rd Drainage bonds, $115,000 Parking Lot bonds, $155,000 Lagoon bonds, $100,000 Highbridge Special assessment bonds, $550,000 Wastewater Treatment bonds, $60,000 Sewage System bonds, $65,000 Waterworks bonds and $235,000 in Water Plant bonds. As of December 31, 2018, all of the old bonds that were current refunded have been called. The outstanding obligations are to be paid from the general obligation debt service fund, the special assessment bond retirement fund, the water fund and the sewer fund.

The 2018 Various Purpose Refunding bonds were used to refund the $1,195,000 of the 2004 General Obligation bonds, which were called for December 19, 2018 to be redeemed. The bonds consisted of new bonds as well as refunding bonds. The bond proceeds for the refunding portion consisted of bond principal of $1,165,000 and $106,641 of premium. The new bond proceeds consisted of bond principal of $2,805,000 and $42,916 of premium. The net proceeds of $1,223,916 (after payment of underwriting fees, insurance, and other issuance costs) was deposited in an irrevocable trust with an escrow agent to provide for retirement of principal and interest due in December 2018. As a result, the bonds are considered to be defeased and the liability is not reported by the City. The difference between the reacquisition price and the net carrying amount of the old debt was not significant and expensed. The City refunded the old bonds to reduce their total debt service payments over the next seventeen years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $46,274.

During 2005, the City issued $795,000 Various Purpose General Obligation Bonds. The Bonds were issued for the purpose of paying for sanitary sewer improvements and the costs of new police cars. The obligations are to be paid from the general obligation debt service fund and the sewer fund.

During 2009, the City issued $2,050,000 Various Purpose General Obligation Bonds. The Bonds were issued for the purpose of street improvements, water treatment improvements and sanitary sewer improvements. The obligations are to be paid from the general obligation and the special assessment bond retirement debt service funds, the water fund and the sewer fund.

During 2010, the City issued $2,745,000 Various Purpose General Obligation Bonds. The Bonds were issued for the purpose of water treatment improvements and sanitary sewer special assessment improvements. The obligations are to be paid from the water fund and the sewer fund.

During 2011, the City issued $3,195,000 General Obligation Various Purpose Refunding Bonds with an average interest rate of 2-3% to advance refund the 1997 Court Facility Bonds, the 2000 Park Improvement Bonds, the 2001 Waterworks Improvement Bonds, and the 2001 Highbridge Road Sewer Bonds. Included in the $3,195,000 General Obligation Various Purpose Refunding Bonds were $695,000 Edson Street Special assessment bonds and $300,000 in Water Improvement Bonds. As of December 31, 2011, all of the old bonds that were advanced refunded have been called. The outstanding obligations are to be paid from the general obligation debt service fund, the special assessment bond retirement fund, the water fund and the sewer fund.

During 2012, the City issued $2,290,000 General Obligation Various Purpose with an average interest rate of 3-4%. The bonds were issued to pay the property owner's portion, in anticipation of the levy and collection of special assessments, the City's portion of the cost of improving streets by resurfacing and necessary improvements, water tower improvements and sanitary sewer improvements. The general obligation debt service fund, the water fund and the sewer fund will retire the debt.

Also, during 2012, the City issued $530,000 Water System Improvement Refunding Bonds with an average interest rate of 2.75-4% to advance refund the 1995 Water Plant Improvement Bonds. As of December 31, 2012, all of the old bonds that were advanced refunded have been called. The outstanding obligations are to be paid from the water fund. The difference between the reacquisition price and the net carrying amount of the old debt was not significant and therefore not amortized. The premium on the new debt was significant and is amortized over the life of the new bonds using the bonds outstanding method of amortization.

The City refunded the 1995 Water Plant Improvement Bonds to reduce their total debt service payments over the next 15 years and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of $7,552.

During 2018, the City issued notes in the amount of $2,255,000 for various road improvements, $353,000 for a storm water project and $106,000 for a municipal parking lot facility. These notes were due on November 15, 2018.

During 2015, the City entered into a lease-purchase loan agreement for the purchase of vehicles. The loan will be paid annually the first principal payment was due July 1, 2016. The loan carries an interest rate of 2.99%.

During 2016, the City entered into a lease-purchase loan agreement for the purchase of a vehicle. The loan will be paid annually the first principal payment was due May 20, 2016. The loan carries an interest rate of 2.49%.

The 2011 OWDA loan carrying a 2.62% interest rate was issued for the wastewater treatment plant bio-solids dewatering facilities project. The first principal payment was made January 1, 2012. Current operations are expected to provide cash flows for the repayment of this loan.

The 2012 OWDA loan carrying a 2.80% interest rate was issued for the primary clarifier improvements project. The first principal payment was made January 1, 2013. Current operations are expected to provide cash flows for the repayment of this loan.

The 2012 OWDA loan carrying a 2.48% interest rate was issued for the Elberta Beach SSO elimination project. The first principal payment was made July 1, 2014. Current operations are expected to provide cash flows for the repayment of this loan.

The 2015 OWDA loan carrying a 2.78% interest rate was issued for the River Pump Station project. The loan has not yet been finalized and the first principal payment was due July 1, 2017. Current operations are expected to provide cash flows for the repayment of this loan. Until a loan is fully disbursed or closed with the OWDA Chief Engineer, a final amortization is not available for the loan.

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

The City pays installments on the police unfunded accrued pension liability incurred when the State of Ohio established the statewide pension system for police personnel in 1967. The liability is payable semiannually from taxes receipted in the police pension special revenue funds.

Compensated absences will be paid from the fund from which the employees' salaries are paid. The City pays net pension/OPEB liability obligations from the fund benefitting from employee services.

The enterprise related general obligation bonds, refunding bonds and OWDA loans will be paid from water and sewer fund user charges.

The City has entered into a loan agreement for the installation and remodeling of the City's facilities in order to reduce energy consumption and operating costs. The sum of these improvements will be capitalized as capital assets are completed. The total amount of the loan agreement was $3,294,450. The final principal and interest payments were made during 2019 from the general fund, the fire operating fund and the water and sewer funds.

The principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2019, are as follows:

Governmental Activities

Year ending	General obligation bonds			Special assessment bonds		
December 31,	Principal	Interest	Total	Principal	Interest	Total
2020	$ 218,000	$ 289,425	$ 507,425	$ 63,000	$ 39,629	$ 102,629
2021	186,000	281,760	467,760	71,000	37,547	108,547
2022	200,000	275,173	475,173	76,000	35,274	111,274
2023	210,000	267,134	477,134	86,000	32,364	118,364
2024	220,000	258,695	478,695	86,000	29,003	115,003
2025-2029	2,130,000	1,106,331	3,236,331	415,000	99,262	514,262
2030-2034	2,085,000	700,944	2,785,944	255,000	18,798	273,798
2035-2039	1,205,000	406,831	1,611,831	-	-	-
2040-2044	910,000	239,281	1,149,281	-	-	-
2045-2049	960,000	95,025	1,055,025	-	-	-
Total	$ 8,324,000	$ 3,920,599	$ 12,244,599	$ 1,052,000	$ 291,877	$ 1,343,877

Year ending	OPWC loan			Lease-purchase loans		
December 31,	Principal *	Interest	Total	Principal	Interest	Total
2020	$ -	$ -	$ -	$ 118,603	$ 6,676	$ 125,279
2021	6,875	-	6,875	77,571	3,008	80,579
2022	6,875	-	6,875	39,781	508	40,289
2023	6,875	-	6,875	-	-	-
2024	6,875	-	6,875	-	-	-
2025-2029	34,375	-	34,375	-	-	-
2030-2034	34,375	-	34,375	-	-	-
2035-2039	34,375	-	34,375	-	-	-
2040	6,875	-	6,875	-	-	-
Total	$ 137,500	$ -	$ 137,500	$ 235,955	$ 10,192	$ 246,147

* includes final draw in 2020

Business Type Activities

Year ending December 31,	General obligation bonds Principal	Interest	Total	Special assessment bonds Principal	Interest	Total
2020	$ 480,270	$ 120,330	$ 600,600	$ 167,730	$ 73,685	$ 241,415
2021	523,585	101,546	625,131	191,415	67,199	258,614
2022	353,335	82,376	435,711	186,665	60,085	246,750
2023	374,335	67,899	442,234	198,665	53,078	251,743
2024	391,150	52,587	443,737	204,850	45,591	250,441
2025-2029	951,150	113,588	1,064,738	856,850	127,482	984,332
2030-2032	140,000	8,760	148,760	150,000	6,187	156,187
Total	$ 3,213,825	$ 547,086	$ 3,760,911	$ 1,956,175	$ 433,307	$ 2,389,482

Year ending December 31,	OWDA loans Principal	Interest	Total
2020	$ 297,209	$ 111,283	$ 408,492
2021	298,186	103,338	401,524
2022	222,753	95,944	318,697
2023	228,729	89,969	318,698
2024	234,864	83,833	318,697
2025-2029	1,272,292	321,196	1,593,488
2030-2034	1,253,392	145,823	1,399,215
2035-2037	419,730	17,664	437,394
Total	$ 4,227,155	$ 969,050	$ 5,196,205

NOTE 11 – CAPITALIZED LEASE

During 2018 and a prior year, the City entered into a capital lease. From the proceeds of the lease, the City acquired a loader and a vehicle that is shared by three departments. Capital lease payments are reflected as debt service payments in the basic financial statements for the governmental funds. These expenditures are reflected as function expenditures on a budgetary basis. The capitalized amount equals a portion of the present value of the future minimum lease payments and the down payment respectively, at the time of acquisition. At the time of this report the capital asset records have not been updated to include these assets.

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:

Year	Lease Payments Governmental Activities	Lease Payments Business-type Activities
2020	$ 63,446	$ 29,345
2021	63,447	29,344
2022	14,454	29,347
2023	14,454	29,347
2024	37,804	77,196
Total minimum lease payments	193,605	194,579
Less: amount representing interest	(15,703)	(18,713)
Total	$ 177,902	$ 175,866

NOTE 12 – DEFINED BENEFIT PENSION PLAN

Net pension liability

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

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

The 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 basis of accounting.

Ohio Public Employees Retirement System

Plan Description – The City employees, other than full-time police and firefighters, participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. 1.) The Traditional Pension Plan (TP) - a cost-sharing, multiple-employer defined benefit pension plan. 2.) The Member-Directed Plan (MD) - a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20% per year). Members accumulate retirement assets equal to the value of the member and (vested) employer contributions, plus any investment earnings thereon. 3.) The Combined Plan (CP) - a cost-sharing, multiple-employer defined benefit pension plan. Employer contributions are invested by the retirement system to provide a formula retirement benefit similar to the Traditional Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the MD. 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; the following disclosure focuses on the traditional plan.

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

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

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

Once a benefit recipient retiring under the Traditional Plan has received benefits for 12 months, an annual cost-of-living adjustment (COLA) is provided on the member's base benefit. Members retiring under the Combined Plan receive a cost-of-living adjustment on the defined benefit portion of their retirement benefit. 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. Additionally, a death benefit of $500-$2,500, determined by the number of years of service credit of the retiree, is paid to the beneficiary of a deceased retiree or disability benefit recipient under the Traditional and Combined Plan.

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

	State and Local	
2019 Statutory maximum contribution rates		
Employer	14.00	%
Employee	10.00	%
2019 Actual contribution rates		
Employer:		
Pension	14.00	%
Post-employment health care benefits	-	
Total employer	14.00	%
Employee	10.00	%

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $430,678 for 2019. Of this amount, $48,321 is reported as an intergovernmental payable.

Ohio Police and Fire Pension Fund

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

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 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. (See OP&F CAFR referenced above for additional information, including requirements for Deferred Retirement Option Plan (DROP) provisions and reduced and unreduced benefits.)

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

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3% of their base pension or disability benefit.

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

	Police	Firefighters
2019 Statutory maximum contribution rates		
Employer	19.50%	24.00%
Employee	12.25%	12.25%
2019 Actual contribution rates		
Employer:		
Pension	19.00%	23.50%
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 $246,662 for 2019. Of this amount $32,388 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2019, the specific liability of the City was $47,720 payable in semi-annual payments through the year 2035.

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

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

	OPERS	OP&F	Total
Proportion of the net pension liability - prior measurement date	0.022247%	0.050650%	
Proportion of the net pension liability - current measurement date	0.022518%	0.049766%	
Change in proportionate share	0.000271%	-0.000884%	
Proportionate share of the net pension liability	$ 6,167,224	$ 4,062,221	$ 10,229,445
Pension expense	$ 1,372,828	$ 542,923	$ 1,915,751

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

	OPERS	OP&F	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 284	$ 166,900	$ 167,184
Changes of assumptions	536,872	107,695	644,567
Net difference between projected and actual earnings on pension plan investments	837,065	500,462	1,337,527
Changes in proportion and differences between City contributions and proportionate share of contributions	32,238	79,020	111,258
City contributions subsequent to the measurement date	430,678	246,662	677,340
Total deferred outflows of resources	$ 1,837,137	$ 1,100,739	$ 2,937,876
Deferred inflows of resources			
Differences between expected and actual experience	$ 80,979	$ 3,793	$ 84,772
Changes in proportion and differences between City contributions and proportionate share of contributions	39,482	92,853	132,335
Total deferred inflows of resources	$ 120,461	$ 96,646	$ 217,107

$677,340 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability 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	OP&F	Total
Year ending December 31:			
2020	$ 534,415	$ 236,923	$ 771,338
2021	284,631	127,487	412,118
2022	77,655	144,996	222,651
2023	389,297	232,523	621,820
2024	-	15,502	15,502
Total	$ 1,285,998	$ 757,431	$ 2,043,429

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 periods included in the measurement:

Wage inflation	3.25 percent
Future salary increases, includes wage inflation at 3.25 percent	3.25 percent to 10.75 percent,
COLA or Ad Hoc COLA	Pre January 7, 2013 retirees, 3 percent simple Post January 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 above described tables.

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 2.94% for 2018.

The allocation of investment assets within the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 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. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit 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.

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%, 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%) or one percentage point higher (8.2%) than the current rate:

	1% Decrease (6.20%)	Current discount rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability	$ 9,110,783	$ 6,167,224	$ 3,721,100

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 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
Actuarial cost method	Entry age normal
Investment rate of return	8.00 percent
Projected salary increases	3.75 percent to 10.5 percent
Payroll increases	3.25 percent
Inflation assumptions	2.75 percent
Cost of living adjustments	3 percent simple; 2.2 percent simple for increases 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 Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

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

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

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

The most recent experience study was completed December 31, 2016.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. 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 average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2018 are summarized below:

Asset class	Target allocation	Long-term expected real rate of return
Cash and cash equivalents	0.00%	0.80%
Domestic equity	16.00%	5.50%
Non-US equity	16.00%	5.90%
Core fixed income *	23.00%	2.60%
U.S. inflation linked bonds*	17.00%	2.30%
High yield	7.00%	4.80%
Private credit	5.00%	7.50%
Real estate	12.00%	6.10%
Private markets	8.00%	8.40%
Real assets	8.00%	7.00%
Master limited partnerships	8.00%	6.40%
Total	120.00%	

Note: Assumptions are geometric
* Levered 2x.

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

	1% Decrease (7.00%)	Current discount rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$ 5,339,509	$ 4,062,221	$ 2,994,862

NOTE 13 – POST EMPLOYMENT BENEFITS

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.

The 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.

Ohio Public Employees Retirement System

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.

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.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018 decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2019 was 4.0 percent.

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

<u>Ohio Police and Fire Pension Fund</u>

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 drugs, dental, vision, and Medicare Part B Premiums 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 GASB 75.

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 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.

The Board of Trustees is authorized to allocate a portion of the total employer contributions 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.

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

The City's contractually required contribution to OP&F was $8,858 for 2019. Of this amount, $807 is reported as intergovernmental payable.

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

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

	OPERS	OP&F	Total
Proportion of the net OPEB liability - current measurement date	0.021537%	0.049766%	
Proportion of the net OPEB liability - prior measurement date	0.021112%	0.050650%	
Change in proportionate share	-0.000425%	0.000884%	
Proportionate share of the net OPEB liability	$ 2,807,916	$ 453,196	$ 3,261,112
OPEB expense	$ 241,240	$ (2,225,903)	$ (1,984,663)

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

	OPERS	OP&F	Total
Deferred outflows of resources			
Differences between expected and actual experience	$ 951	$ -	$ 951
Changes of assumptions	90,531	234,915	325,446
Net difference between projected and actual earnings on OPEB plan investments	128,726	15,341	144,067
Changes in proportion and differences between City contributions and proportionate share of contributions	30,951	63,832	94,783
City contributions subsequent to the measurement date	-	8,858	8,858
Total deferred outflows of resources	$ 251,159	$ 322,946	$ 574,105
Deferred inflows of resources			
Differences between expected and actual experience	$ 7,619	$ 12,142	$ 19,761
Changes of assumptions	-	125,466	125,466
Changes in proportion and differences between City contributions and proportionate share of contributions	31,062	39,310	70,372
Total deferred inflows of resources	$ 38,681	$ 176,918	$ 215,599

$8,858 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year ending December 31:			
2020	$ 87,430	$ 24,560	$ 111,990
2021	38,532	24,560	63,092
2022	21,669	24,560	46,229
2023	64,847	29,201	94,048
2024	-	21,885	21,885
Thereafter	-	12,404	12,404
Total	$ 212,478	$ 137,170	$ 349,648

Actuarial Assumptions - OPERS

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

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

Wage inflation	3.25 percent
Projected salary increases	3.25 to 10.75 percent, includes wage inflation at 3.25 percent
Single discount rate:	
Current measurement date	3.96 percent
Prior measurement date	3.85 percent
Investment rate of return	6.00 percent
Municipal bond rate:	
Current measurement date	3.71 percent
Prior measurement date	3.31 percent
Health care cost trend rate:	
Current measurement date	10.0 percent initial, 3.25 percent, ultimate in 2029
Prior measurement date	7.50 percent initial, 3.25 percent ultimate in 2028
Actuarial cost method	Individual Entry Age Normal

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

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

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

During 2018, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and 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 5.6 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 benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2018 and the long-term expected real rates of return:

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	$ 3,592,372	$ 2,807,916	$ 2,184,067

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	$ 2,699,017	$ 2,807,916	$ 2,933,339

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

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

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

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

Valuation date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial cost method	Entry age normal
Investment rate of return	8.0 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:	
Currrent measurement date	4.66 percent
Prior measurement date	3.24 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

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

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

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

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

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

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan, see Note 12.

Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 4.66 percent. For 2018, the total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OPF's fiduciary net position was projected to not be able to make all future benefit payments of current plan members; therefore, a municipal bond rate of 4.13 percent at December 31, 2018 and 3.16 percent at December 31, 2017 was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent for 2018 and 3.24 percent for 2017. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2031. The long-term expected rate of return on health care investments was applied to projected costs through 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 Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 4.66 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease (3.66%)	Current discount rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	$ 552,116	$ 453,196	$ 370,161

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

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 14 – RISK MANAGEMENT

The City of Vermilion is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The City purchases commercial insurance coverage for protection against this risk exposure.

Settled claims have not exceeded commercial coverage in any of the past three years. Also, the City did not significantly reduce its limits of liability during 2019.

All employees of the City are covered by a blanket bond, while certain individuals in policy-making roles are covered by separate, higher limit bond coverage.

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

The City no longer provides employees medical, prescription, and dental benefits through a self-insurance program. As a result, the City converted to a traditional health plan securing savings of 48% beginning January 1, 2019. Rate increases for 2020 were held to 9% with phased-in employee contribution increases by an additional 1% per year beginning with 11% for 2020, 12% for 2021 and 13% for 2022 for those collective bargaining agreements that have been settled.

During 2019, a total of $661,042 was expensed in claims, benefits and administrative costs. Changes in the internal service fund's claim liability amount in 2019 and 2018 were as follows:

	Balance Beginning of Year	Current Year Claims	Claims Payments	Balance End of Year
2018	$ 140,474	870,399	(847,595)	$ 163,278
2019	$ 163,278	477,814	(641,092)	$ -

NOTE 15 – INTERNAL BALANCES

Internal balances at December 31, 2019, consist of the following individual long-term advance to/from and short-term due from/to:

Advances from general fund to:	
Water enterprise fund	$ 20,000

The long-term advance to the water fund is to fund the various capital projects and administration support before the receipts of grants or other sources of revenue.

Due to/from other funds for the year ended December 31, 2019 consisted of the following:

Due to general fund from:		
Internal service fund	$	57,465

The $57,467 from the general fund was to cover a fund deficit at year end. This will be repaid the next year.

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

Transfers from general fund to:		
Nonmajor governmental funds	$	196,336

Transfers from the general fund were used to move unrestricted revenues collected in order to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 16 – ACCOUNTABILITY AND COMPLIANCE

The following funds had a deficit fund balance or deficit net position as of December 31, 2019.

Fund		Balances
Sewer - enterprise	$	856,597
Insurance - internal service		36,325

The fund balance deficits are largely the result of the recognition of liabilities in accordance with general accepted accounting principles. The general fund provides transfers to cover deficit balances; however, this is done when cash is needed rather than when accruals occur.

NOTE 17 – CONTINGENCY

The City of Vermilion is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and pending projects. The City management is of the opinion that ultimate disposition of various claims and legal proceedings will not have a material effect, if any, on the financial condition of the City.

NOTE 18 – SUBSEQUENT EVENT

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

NOTE 19 - VERMILION PORT AUTHORITY

A. Description of the Entity

The Vermilion Port Authority (the Port Authority) is a body politic and corporate established to promote, develop and advance the general welfare, commerce, and economic development of the City and its citizens, and to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Port Authority is directed by a five-member Board appointed by the Mayor of Vermilion. The Port Authority is a component unit of the City due to it being economically dependent on the City for operating subsidies. The Port Authority's management believes these financial statements present all activities for which the Port Authority is financially accountable. The Port Authority was formed by an ordinance of the Council of the City of Vermilion in February 1968 and the City acts as their fiscal agent.

B. Basis of Accounting

The Port Authority follows the accrual basis of accounting, whereby revenues and expenses are recognized in the period earned or incurred. The measurement focus is on determination of net income and financial position. All transactions are accounted for in a single enterprise fund.

C. Fund Accounting

The Port Authority maintains a general operating fund to account for all financial resources. This fund is used to account for operations that are similar to private business enterprises where management intends that the significant costs of providing certain goods or services will be recovered through user charges.

D. Budgetary Process

- **Budget** The Ohio Revised Code Section 4582.13, requires that each fund be budgeted annually. This budget includes estimated receipts and appropriations.

- **Encumbrances** The Port Authority reserves (encumbers) appropriations when commitments are made. Encumbrances outstanding at year end are carried over, and are not reappropriated.

E. Property, Plant and Equipment

Property and equipment are stated at cost less accumulated depreciation computed on the straight-line method over an estimated useful life of 5-20 years.

F. Deposits and Investments

The investment and deposit of Port Authority moneys are governed by the provisions of the Ohio Revised Code. In accordance with these statutes, only banks located in Ohio and domestic building and loan associations are eligible to hold public deposits. The statutes also permit the Port Authority to invest its moneys in certificates of deposit, savings accounts, money market accounts, the State Treasurer's investment pool (STAR Ohio), and obligations of the United States government and certain agencies thereof.

The Port Authority may also enter into repurchase agreements with any eligible depository or any eligible dealer who is a member of the National Association of Securities Dealers for a period not exceeding thirty days. Public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC), or may pledge a pool of government securities valued at least 105% of the total value of public moneys on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and must mature or be redeemable within five years of the date of the related repurchase agreement. The market value of the securities subject to a repurchase agreement must exceed the value of the principal by 2% and be marked to market daily. State law does not require security for public deposits and investments to be maintained in the Port Authority's name.

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned. For 2019, all of the Port Authority's deposits were held by the City and part of their pooled cash and investments. All risks of the Port Authority's deposits are disclosed as part of the City's disclosure as the City is their fiscal agent.

G. Risk Management

The Port Authority has obtained commercial crime and public officials' liability insurance from a major commercial insurance company. There has not been a significant reduction of coverage from the prior year and settled claims have not exceeded commercial coverage in any of the last three years.

H. Related Party Transactions

During 2000 and 2010, the Port Authority borrowed $985,000 and $71,538, respectively, from the City to acquire land and existing structures. The Port Authority provided a bond for this transaction and the City holds a lien on the property until the bond is repaid. The City holds this bond as an investment within the City's pooled investments. The bond has been partially repaid leaving a balance of $922,629 outstanding as of December 31, 2019.

I. Capital Assets

As of December 31, 2019, the Port Authority owned land valued at $1,059,388. In addition, depreciable capital assets are being reported as $773,036 net of accumulated depreciation at year-end. Depreciation expense of $31,547 was reported for 2019 with a total accumulated depreciation of $690,893.

J. Long-term Debt

On January 9, 2009 the Vermilion Port Authority entered into a loan with the Board of County Commissioners of Erie County, Ohio in the amount of $134,000. This loan is to be used for the installation of a new boardwalk, landscaping, benches, picnic tables, handicap accessible floating dock, and new dock pedestals to provide water and power to transient boats. Principal and interest payments are to be made monthly starting February 1, 2012 and ending January 1, 2019 with an interest rate of 1%. The amount outstanding on this loan was paid in full at December 31, 2019.

In addition, the Port Authority borrowed from the City, as mentioned above, with a collateralized bond. This $922,629 bond is carrying an interest rate of 5.50% and $12,187 is due within one year. This bond was used in the financing of acquiring, constructing, installing, equipping or improving "port authority facilities," as defined by Section 4582.01 of the Ohio Revised Code. The bond is a special obligation of the Port Authority, and the principal of and interest on this bond are payable solely from "Available Monies" and are secured by a pledge of the "Pledged Revenues", all as defined and provided in the Resolution.

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Required Supplementary Information

City of Vermilion, Ohio

Required Supplementary Information

Schedule of the City's Proportionate Share of the Net Pension Liability

Last Six Years (1)

Ohio Public Employees Retirement System - Traditional Plan	2019	2018	2017	2016
City's proportion of the net pension liability	0.022518%	0.022247%	0.023019%	0.022662%
City's proportionate share of the net pension liability	$ 6,167,224	$ 3,490,123	$ 5,227,223	$ 3,925,344
City's covered payroll	$ 3,089,807	$ 2,954,577	$ 2,926,733	$ 2,860,067
City's proportionate share of the net pension liability as a percentage of its covered payroll	199.60%	118.13%	178.60%	137.25%
Plan fiduciary net position as a percentage of total pension liability	74.70%	84.66%	77.25%	81.08%

Ohio Police and Fire Pension Fund	2019	2018	2017	2016
City's proportion of the net pension liability	0.049766%	0.050650%	0.048845%	0.050668%
City's proportionate share of the net pension liability	$ 4,062,221	$ 3,108,631	$ 3,093,797	$ 3,259,538
City's covered payroll	$ 1,283,868	$ 1,365,874	$ 1,041,774	$ 1,083,942
City's proportionate share of the net pension liability as a percentage of its covered payroll	316.40%	227.59%	296.97%	300.71%
Plan fiduciary net position as a percentage of total pension liability	63.07%	70.91%	68.36%	66.77%

(1) Information prior to 2014 is not available and the amounts presented are as of the City's measurement date which is the prior fiscal year end.
(2) Restated during 2015.

2015	2014
0.020771%	0.020771%
$ 2,505,215	$ 2,448,630
$ 2,561,875	$ 2,493,038
97.79%	98.22%
86.45%	86.36%

2015	2014
0.050184%	0.050184%
$ 2,599,720	$ 2,444,099
$ 1,106,389	$ 1,104,520
234.97%	221.28%
71.71% (2)	72.53% (2)

City of Vermilion, Ohio
Required Supplementary Information
Schedule of the City's Contributions - Pension
Last Seven Years (1)

	2019	2018	2017	2016	2015
Ohio Public Employees Retirement System - Traditional Plan					
Contractually required contribution	$ 430,678	$ 432,573	$ 384,095	$ 351,208	$ 343,208
Contributions in relation to contractually required contribution	(430,678)	(432,573)	(384,095)	(351,208)	(343,208)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 3,076,271	$ 3,089,807	$ 2,954,577	$ 2,926,733	$ 2,860,067
Contributions as a percentage of covered payroll	14.00%	14.00%	13.00%	12.00%	12.00%

	2019	2018	2017	2016	2015
Ohio Police and Fire Pension Fund					
Contractually required contribution	$ 246,662	$ 243,935	$ 259,516	$ 197,937	$ 205,949
Contributions in relation to contractually required contribution	(246,662)	(243,935)	(259,516)	(197,937)	(205,949)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 1,298,221	$ 1,283,868	$ 1,365,874	$ 1,041,774	$ 1,083,942
Contributions as a percentage of covered payroll	19.00%	19.00%	19.00%	19.00%	19.00%

(1) Information prior to 2013 is not available.

2014	2013
$ 307,425	$ 324,095
(307,425)	(324,095)
$ -	$ -
$ 2,561,875	$ 2,493,038
12.00%	13.00%

2014	2013
$ 210,214	$ 173,741
(210,214)	(173,741)
$ -	$ -
$ 1,106,389	$ 1,104,520
19.00%	15.73%

City of Vermilion, Ohio
Required Supplementary Information
Schedule of the City's Proportionate Share of the Net OPEB Liability
Last Three Years (1)

Ohio Public Employees Retirement System	2019	2018	2017	
City's proportion of the net OPEB liability	0.021537%	0.021112%	0.021983%	
City's proportionate share of the net OPEB liability	$ 2,807,916	$ 2,292,608	$ 2,220,358	
City's covered payroll	$ 3,089,807	$ 2,954,577	$ 2,926,733	
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	90.88%	77.60%	75.86%	
Plan fiduciary net position as a percentage of total OPEB liability	46.33%	54.14%	54.05%	

Ohio Police and Fire Pension Fund	2019	2018	2017	
City's proportion of the net OPEB liability	0.049766%	0.050650%	0.048845%	
City's proportionate share of the net OPEB liability	$ 453,196	$ 2,869,775	$ 2,318,560	
City's covered payroll	$ 1,283,868	$ 1,365,874	$ 1,041,774	
City's proportionate share of the net OPEB liability as a percentage of its covered payroll	35.30%	210.11%	222.56%	
Plan fiduciary net position as a percentage of total OPEB liability	46.57%	14.13%	15.96%	(2)

(1) Information prior to 2017 is not available and the amounts presented are as of the City's measurement date which is the prior fiscal year end.
(2) Restated during 2017.

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City of Vermilion, Ohio
Required Supplementary Information
Schedule of the City's Contributions - OPEB
Last Seven Years (1)

Ohio Public Employees Retirement System	2019	2018	2017	2016	2015
Contractually required contribution	$ -	$ -	$ 30,149	$ 60,974	$ 58,970
Contributions in relation to contractually required contribution	-	-	(30,149)	(60,974)	(58,970)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 3,076,271	$ 3,089,807	$ 2,954,577	$ 2,926,733	$ 2,860,067
Contributions as a percentage of covered payroll	0.00%	0.00%	1.00%	2.00%	2.00%

Ohio Police and Fire Pension Fund	2019	2018	2017	2016	2015
Contractually required contribution	$ 8,858	$ 6,419	$ 6,829	$ 5,209	$ 5,420
Contributions in relation to contractually required contribution	(8,858)	(6,419)	(6,829)	(5,209)	(5,420)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
City covered payroll	$ 1,298,221	$ 1,283,868	$ 1,365,874	$ 1,041,774	$ 1,083,942
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%	0.50%

(1) Information prior to 2013 is not available.

2014	2013
$ 52,779	$ 25,701
(52,779)	(25,701)
$ -	$ -
$ 2,561,875	$ 2,493,038
2.00%	1.00%

2014	2013
$ 5,532	$ 41,641
(5,532)	(41,641)
$ -	$ -
$ 1,106,389	$ 1,104,520
0.50%	3.77%

Pension

Ohio Public Employees Retirement System (OPERS) - Traditional Plan

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

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

Ohio Police and Fire Pension Fund

Changes in benefit terms: There were no significant changes in benefit terms during 2019.

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

OPEB

Ohio Public Employees Retirement System (OPERS)

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

Changes in assumptions: There was a change in methods and assumptions used in the calculation of actuarial determined contributions for 2019. See the notes to the basic financials for the methods and assumptions in this calculation.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

City of Vermilion
Erie County
5511 Liberty Avenue
Vermilion, Ohio 44089

To the Members of the City Council:

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Vermilion, Erie 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 November 19, 2020, wherein we qualified our opinion on the governmental activities, business-type activities, water fund, sewer fund and discretely presented component unit because of the inadequacy of the capital asset records. We also 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 opinion 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings as item 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

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

We also noted certain matters not requiring inclusion in the report that we reported to the City's management in a separate letter dated November 19, 2020.

City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. 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.

Charles E. Harris & Associates

Charles E. Harris & Associates, Inc.
November 19, 2020

CITY OF VERMILION
ERIE COUNTY

SCHEDULE OF FINDINGS
DECEMBER 31, 2019

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

Finding Number 2019-001 – Material Weakness

A capital assets management system ensures that policies and procedures are in place to safeguard assets and maintains the integrity of financial statement information. These procedures should include: authorizing and recording disposals and transfers of assets; recording purchases as additions at the time items are received; tagging assets to ensure that each asset is in the appropriate location and described accurately in the City's inventory list.

The City's capital asset system's additions and deletions have not been updated in several years. The beginning and ending balances cannot be relied on for accurate figures. The utility department has not provided the finance department with information on the length of water and sewer pipes, the record of years of operation and distribution, and costs. We also noted the engineer's office has not provided a description, history and location of the roads and bridges within the City limit and costs. The financial statements have not been adjusted to reflect the proper balances of capital assets.

We recommend that management follow their formulated capital asset procedure to properly capture all capital assets as purchased and disposed and include them in their sub-ledger. These procedures include inventory of capital assets throughout the City through the implementation of policies and procedures which address: 1) reporting to the Finance Director (for updating City-wide records); 2) inputting tagged items into the City's computer system; 3) calculating and recording depreciation; 4) performing a physical count of capital assets to obtain an accurate balance and then performing periodic physical counts regularly; and 5) maintaining a detailed master capital asset list appropriately sorted and readily sorted which readily supports financial statement preparation.

Management's Response:

See Corrective Action Plan.

CITY OF VERMILION
ERIE COUNTY, OHIO

SCHEDULE OF PRIOR AUDIT FINDINGS – Prepared by Management
December 31, 2019

Finding Number	Finding Summary	Status	Additional Information
2018-001	Material Weakness – Capital Asset Records	Not corrected	Management intends to complete for 2020.

CITY OF VERMILION
ERIE COUNTY

CORRECTIVE ACTION PLAN – Prepared by Management
December 31, 2019

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2019-001	Material Weakness – Capital Asset Records The Finance Department will increase focus on the established asset management procedures to assure appropriate tracking.	December 31, 2020	Amy L. Hendricks, Finance Director