

CITY OF VERMILION ERIE COUNTY, OHIO

Basic Financial Statements

**For the Year Ended
December 31, 2020**

CITY OF VERMILION, OHIO

BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020

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Accountant's Compilation Report

To the Members of City Council
Vermilion, Ohio

Management is responsible for the accompanying basic financial statements of the City of Vermilion, which comprise the statements listed in the table of contents as of December 31, 2020 and for the fiscal year then ended, and the related notes to the financial statements in accordance with accounting principles generally accepted in the United States of America. We have performed the compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any assurance on the financial statements.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, on pages 3 through 15 and the required supplementary information on pages 90 through 105 be presented to supplement the basic financial statements. Although this information is not a part of the basic financial statements, the Governmental Accounting Standards Board considers it essential to placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. The supplementary information was subject to our compilation engagement. We have not audited or reviewed the supplementary information and do not express an opinion, a conclusion, nor provide any form of assurance on such information.

Julian & Grube, Inc.

Westerville, Ohio
May 28, 2021

CITY OF VERMILION, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

The management's 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, 2020. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

Key financial highlights for 2020 are as follows:

- The total net position of the City increased \$5,032,502 from 2019's restated total net position. Net position of governmental activities increased \$3,718,048 or 40.45% from 2019's restated net position and net position of business-type activities increased \$1,314,454 from 2019's restated net position.
- General revenues accounted for \$8,898,824 or 65.07% of total governmental activities revenue. Program specific revenues accounted for \$4,777,583 or 34.93% of total governmental activities revenue.
- The City had \$9,958,359 in expenses related to governmental activities; \$4,777,583 of these expenses was offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$5,180,776 were offset by general revenues (primarily property, income and other local taxes and unrestricted grants and entitlements) of \$8,898,824.
- The general fund had revenues of \$6,350,202 in 2020. The general fund had expenditures and other financing uses of \$4,724,527 in 2020. The net increase in fund balance for the general fund was \$1,625,675 or 58.22% from 2019's restated fund balance.
- The road improvement levy fund had revenues and other financing sources of \$1,664,461 in 2020. The road improvement levy fund had expenditures of \$1,499,543 in 2020. The net increase in fund balance for the road improvement levy fund was \$164,918 or 8.37%.
- The fire apparatus fund had revenues of \$294,104 and expenditures of \$593,437 in 2020. The net decrease in fund balance for the fire apparatus fund was \$299,333 or 11.17%.
- The fire station No. 1 project fund had revenues of \$22,626 and expenditures of \$3,568,953 in 2020. The net decrease in fund balance for the fire station No. 1 project fund was \$3,546,327 or 95.45%.
- Net position for the business-type activities, which are made up of the water and sewer enterprise funds, increased in 2020 by \$1,314,454 from 2019's restated net position.
- The water fund had operating revenues of \$2,889,609 and operating expenses of \$1,352,316 in 2020. The water fund also had net non-operating expenses of \$146,849. The net increase in net position for the water fund was \$1,390,444 or 150.85% from 2019's restated net position.
- The sewer fund had operating revenues of \$2,571,946 and operating expenses of \$2,323,136 in 2020. The sewer fund also had net non-operating expenses of \$324,800. The net decrease in net position for the sewer fund was \$75,990 or 8.38% from 2019's restated net position.
- Budgetary information is presented for the general fund and the road improvement levy fund. In the general fund, the actual revenues and other financing sources were \$70,973 more than they were in the final budget and actual expenditures and other financing uses were \$725,025 less than the amount in the final budget. Budgeted revenues and other financing sources decreased \$1,394 from original to the final budget and budgeted expenditures and other financing uses increased \$15,668 from original to the final budget.

CITY OF VERMILION, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

Using this Annual Financial Report

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

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

Reporting the City as a Whole

Statement of Net Position and the Statement of Activities

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

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

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

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

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

Reporting the City's Most Significant Funds

Fund Financial Statements

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

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds.

CITY OF VERMILION, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

Governmental Funds

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

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

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund, road improvement levy fund, fire apparatus fund, and the fire station No. 1 project fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation.

Proprietary Funds

The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer functions. Both of the City's enterprise funds are considered major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's net pension liability/asset, along with contributions to the pension systems and net OPEB liability.

CITY OF VERMILION, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

Government-Wide Financial Analysis

The statement of net position provides the perspective of the City as a whole. The table below provides a summary of the City's net position for 2020 compared to 2019. The net position at December 31, 2019 has been restated as described in Note 3.B.

| | Net Position | | | | | |
|--|---------------------|---------------|---------------|---------------|---------------|---------------|
| | 2020 | Restated | 2020 | Restated | 2020 | Restated |
| | Governmental | Governmental | Business-type | Business-type | Total | Total |
| | Activities | Activities | Activities | Activities | | |
| <u>Assets</u> | | | | | | |
| Current and other assets | \$ 22,007,587 | \$ 22,241,356 | \$ 4,543,418 | \$ 3,566,094 | \$ 26,551,005 | \$ 25,807,450 |
| Capital assets, net | 12,510,710 | 8,831,256 | 10,891,112 | 9,090,907 | 23,401,822 | 17,922,163 |
| Total assets | 34,518,297 | 31,072,612 | 15,434,530 | 12,657,001 | 49,952,827 | 43,729,613 |
| Total deferred outflows of resources | 1,737,521 | 2,716,340 | 568,255 | 795,641 | 2,305,776 | 3,511,981 |
| <u>Liabilities</u> | | | | | | |
| Current and other liabilities | 343,525 | 563,516 | 168,207 | 188,669 | 511,732 | 752,185 |
| Long-term liabilities: | | | | | | |
| Due within one year | 488,348 | 593,809 | 1,196,549 | 1,018,562 | 1,684,897 | 1,612,371 |
| Net pension liability | 5,955,428 | 7,879,733 | 1,678,810 | 2,349,712 | 7,634,238 | 10,229,445 |
| Net OPEB liability | 2,232,867 | 2,191,296 | 1,109,865 | 1,069,816 | 3,342,732 | 3,261,112 |
| Other amounts | 9,711,448 | 9,975,464 | 9,916,172 | 8,750,611 | 19,627,620 | 18,726,075 |
| Total liabilities | 18,731,616 | 21,203,818 | 14,069,603 | 13,377,370 | 32,801,219 | 34,581,188 |
| Total deferred inflows of resources | 4,614,905 | 3,393,885 | 604,090 | 60,634 | 5,218,995 | 3,454,519 |
| <u>Net Position</u> | | | | | | |
| Net investment in capital assets (deficit) | 2,698,402 | (1,256,849) | (246,368) | (564,117) | 2,452,034 | (1,820,966) |
| Restricted | 10,693,850 | 14,071,098 | - | - | 10,693,850 | 14,071,098 |
| Unrestricted (deficit) | (482,955) | (3,623,000) | 1,575,460 | 578,755 | 1,092,505 | (3,044,245) |
| Total net position | \$ 12,909,297 | \$ 9,191,249 | \$ 1,329,092 | \$ 14,638 | \$ 14,238,389 | \$ 9,205,887 |

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

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

CITY OF VERMILION, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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

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

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

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

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

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2020, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$14,238,389. At year-end, net position was \$12,909,297 and \$1,329,092 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's net position. At year-end, capital assets net represented 46.85% of total assets. Capital assets include land, construction in progress, buildings, equipment, infrastructure, land improvements, traffic lights, and vehicles. The net investment in capital assets at December 31, 2020, was \$2,698,402 and a deficit of \$246,368 in the governmental activities and business-type activities, respectively. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

CITY OF VERMILION, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

A portion of the City's net position, \$10,693,850 represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position was a deficit of \$482,955 may be used to meet the City's ongoing obligations to citizens and creditors.

The table below shows the changes in net position for years 2020 and 2019. Due to practicality, 2019 revenues and expenses in the table below have not been adjusted to reflect the implementation of GASB No. 84 or the restatement of capital assets as described in Note 3.B. Rather, the cumulative impact of applying GASB No. 84 and the restatement of capital assets is reflected in the beginning net position for 2019.

Change in Net Position

| | 2020 Governmental Activities | 2019 Governmental Activities | 2020 Business-Type Activities | 2019 Business-Type Activities | 2020 Total | 2019 Total |
|--|------------------------------------|------------------------------------|-------------------------------------|-------------------------------------|---------------|---------------|
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,674,963 | \$ 3,273,577 | \$ 5,345,269 | \$ 5,295,769 | \$ 8,020,232 | \$ 8,569,346 |
| Operating grants and contributions | 1,746,653 | 994,049 | 6,500 | - | 1,753,153 | 994,049 |
| Capital grants and contributions | 355,967 | - | - | 85,820 | 355,967 | 85,820 |
| Total program revenues | 4,777,583 | 4,267,626 | 5,351,769 | 5,381,589 | 10,129,352 | 9,649,215 |
| General revenues: | | | | | | |
| Property and other local taxes | 3,340,632 | 3,059,390 | - | - | 3,340,632 | 3,059,390 |
| Income taxes | 4,342,516 | 3,982,808 | - | - | 4,342,516 | 3,982,808 |
| Unrestricted grants and entitlements | 487,562 | 647,980 | - | - | 487,562 | 647,980 |
| Investment earnings | 327,909 | 392,957 | 8,832 | - | 336,741 | 392,957 |
| Miscellaneous | 400,205 | 238,230 | 116,286 | - | 516,491 | 238,230 |
| Total general revenues | 8,898,824 | 8,321,365 | 125,118 | - | 9,023,942 | 8,321,365 |
| Total revenues | 13,676,407 | 12,588,991 | 5,476,887 | 5,381,589 | 19,153,294 | 17,970,580 |
| Expenses: | | | | | | |
| General government | 2,343,824 | 2,319,096 | - | - | 2,343,824 | 2,319,096 |
| Security of persons and property - police | 2,700,557 | 1,310,427 | - | - | 2,700,557 | 1,310,427 |
| Security of persons and property - fire | 748,676 | 1,073,440 | - | - | 748,676 | 1,073,440 |
| Public health and welfare | 822,714 | 135,086 | - | - | 822,714 | 135,086 |
| Transportation | 1,717,481 | 2,508,279 | - | - | 1,717,481 | 2,508,279 |
| Leisure time activities | 277,891 | 579,041 | - | - | 277,891 | 579,041 |
| Community development | - | 296,268 | - | - | - | 296,268 |
| Refuse | 945,051 | 1,032,193 | - | - | 945,051 | 1,032,193 |
| Utility services | 148,556 | 123,938 | - | - | 148,556 | 123,938 |
| Interest and fiscal charges | 253,609 | 337,289 | - | - | 253,609 | 337,289 |
| Water | - | - | 1,511,247 | 1,902,218 | 1,511,247 | 1,902,218 |
| Sewer | - | - | 2,651,186 | 2,388,609 | 2,651,186 | 2,388,609 |
| Total expenses | 9,958,359 | 9,715,057 | 4,162,433 | 4,290,827 | 14,120,792 | 14,005,884 |
| Change in net position | 3,718,048 | 2,873,934 | 1,314,454 | 1,090,762 | 5,032,502 | 3,964,696 |
| Net position at beginning of year (deficit) (restated) | 9,191,249 | 6,317,315 | 14,638 | (1,076,124) | 9,205,887 | 5,241,191 |
| Net position at end of year | \$ 12,909,297 | \$ 9,191,249 | \$ 1,329,092 | \$ 14,638 | \$ 14,238,389 | \$ 9,205,887 |

CITY OF VERMILION, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

Governmental Activities

Governmental activities net position increased 40.45% or \$3,718,048 in 2020 from 2019's restated net position.

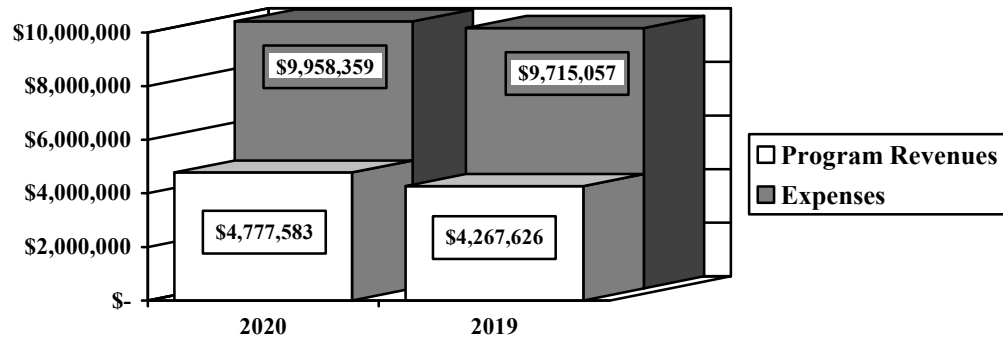
Security of persons and property, which primarily supports the operations of the police and fire departments accounted for \$3,449,233 of the total expenses of the City. These expenses were funded by \$488,452 in direct charges to users of the services, \$55,040 in operating grants and contributions and \$22,626 in capital grants and contributions. Transportation expenses totaled \$1,717,481. Transportation expenses were funded by \$396,676 in direct charges to users of the services, \$909,738 in operating grants and contributions and \$325,000 in capital grants and contributions.

The state and federal government contributed to the City a total of \$1,746,653 in operating grants and contributions and \$355,967 in capital grants and contributions. These revenues are restricted to a particular program or purpose.

General revenues totaled \$8,898,824 and amounted to 65.07% of total governmental revenues. These revenues primarily consist of property and other local tax revenue and income taxes of \$7,683,148. The other primary source of general revenues is grants and entitlements not restricted to specific programs, including local government funds, making up \$487,562.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted state grants and entitlements. As can be seen in the graph below, the City is highly dependent upon property and income taxes as well as unrestricted grants and entitlements to support its governmental activities. As mentioned previously, due to practicality, 2019 revenues and expenses in the following charts and table have not been adjusted to reflect the implementation of GASB No. 84 or the restatement of capital assets as described in Note 3.B.

Governmental Activities - Program Revenues vs. Total Expenses



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CITY OF VERMILION, OHIO

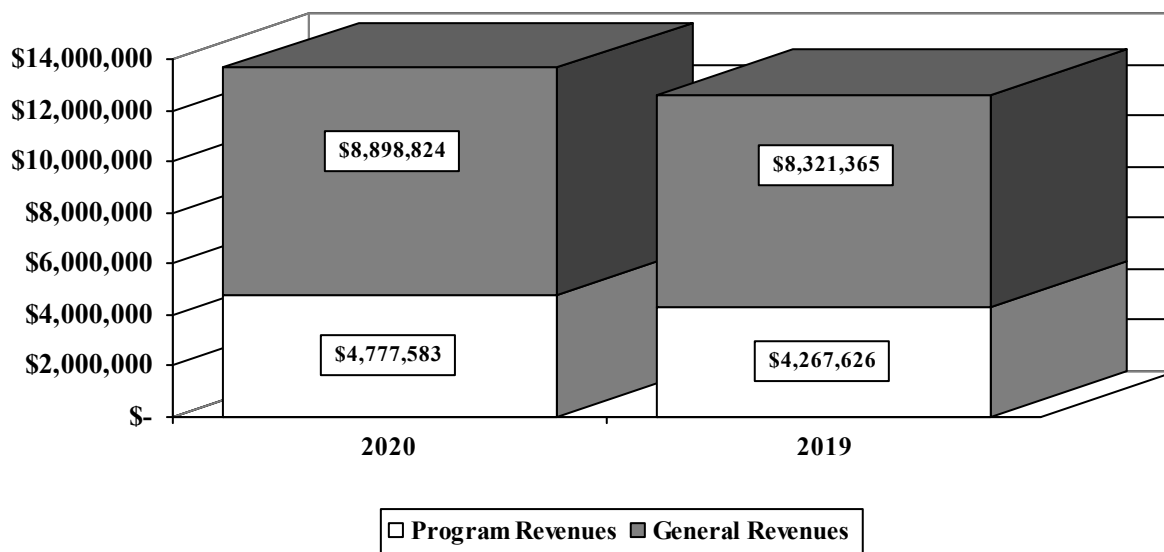
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

Governmental Activities

| | Total Cost of Services 2020 | Total Cost of Services 2019 | Net Cost of Services 2020 | Net Cost of Services 2019 |
|---|-----------------------------------|-----------------------------------|---------------------------------|---------------------------------|
| Program Expenses: | | | | |
| General government | \$ 2,343,824 | \$ 2,319,096 | \$ 1,731,607 | \$ 1,283,464 |
| Security of persons and property - police | 2,700,557 | 1,310,427 | 2,281,730 | 1,305,845 |
| Security of persons and property - fire | 748,676 | 1,073,440 | 601,385 | 1,025,452 |
| Public health and welfare | 822,714 | 135,086 | (24,708) | 1,494 |
| Transportation | 1,717,481 | 2,508,279 | 86,067 | 933,612 |
| Leisure time activity | 277,891 | 579,041 | 229,934 | 510,482 |
| Community development | - | 296,268 | - | 57,584 |
| Utility services | 148,556 | 123,938 | 148,556 | 123,938 |
| Refuse | 945,051 | 1,032,193 | (127,404) | (131,729) |
| Interest and fiscal charges | 253,609 | 337,289 | 253,609 | 337,289 |
| Total Expenses | <u>\$ 9,958,359</u> | <u>\$ 9,715,057</u> | <u>\$ 5,180,776</u> | <u>\$ 5,447,431</u> |

The dependence upon general revenues for governmental activities is apparent, with 52.02% of expenses supported through taxes and other general revenues.

Governmental Activities - General and Program Revenues



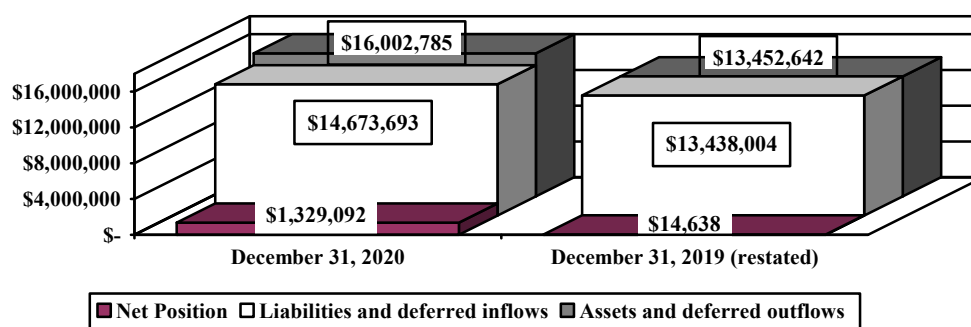
CITY OF VERMILION, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

Business-Type Activities

The City's business-type activities include the water and sewer funds. These programs had program revenues of \$5,351,769, general revenues of \$125,118 and expenses of \$4,162,433 for 2020. The graph below shows the business-type activities assets and deferred outflows, liabilities and deferred inflows and net position at year-end 2020 and 2019. The net position at December 31, 2019 has been restated as described in Note 3.B.

Net Position in Business - Type Activities



Financial Analysis of the Government's Funds

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

Governmental Funds

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

The City's governmental funds reported a combined fund balance of \$15,739,815 which is \$940,110 below last year's restated total of \$16,679,925. The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2020 for all major and nonmajor governmental funds. The fund balances at December 31, 2019 have been restated as described in Note 3.B.

| | Fund Balances 12/31/20 | Restated Fund Balances 12/31/19 | Increase (Decrease) |
|-----------------------------------|------------------------------|--|------------------------|
| Major Funds: | | | |
| General | \$ 4,417,812 | \$ 2,792,137 | \$ 1,625,675 |
| Road Improvement | 2,135,510 | 1,970,592 | 164,918 |
| Fire Apparatus | 2,381,452 | 2,680,785 | (299,333) |
| Fire Station No. 1 Project | 169,017 | 3,715,344 | (3,546,327) |
| Other nonmajor governmental funds | 6,636,024 | 5,521,067 | 1,114,957 |
| Total | <u>\$ 15,739,815</u> | <u>\$ 16,679,925</u> | <u>\$ (940,110)</u> |

CITY OF VERMILION, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

General Fund

The City's general fund balance increased 58.22%, primarily as a result of revenues outpacing expenditures. The table that follows assists in illustrating the revenues of the general fund.

| | <u>2020</u> <u>Amount</u> | <u>2019</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|-----------------------------|------------------------------|------------------------------|------------------------------------|
| <u>Revenues</u> | | | |
| Taxes | \$ 4,495,205 | \$ 4,408,337 | 1.97 % |
| Charges for services | 59,256 | 134,171 | (55.84) % |
| Licenses and permits | 353,080 | 410,490 | (13.99) % |
| Fines and forfeitures | 334,946 | 424,301 | (21.06) % |
| Intergovernmental | 341,898 | 510,857 | (33.07) % |
| Special assessments | 7,308 | - | 100.00 % |
| Investment income | 315,954 | 346,361 | (8.78) % |
| Contributions and donations | 20,710 | 39,825 | (48.00) % |
| Other | <u>421,845</u> | <u>181,558</u> | 132.35 % |
| Total | <u>\$ 6,350,202</u> | <u>\$ 6,455,900</u> | (1.64) % |

Overall revenues of the general fund decreased \$105,698 or 1.64%. Tax revenue represents 70.79% of all general fund revenue. Other income increased \$240,287 or 132.35% mainly due to an increase in miscellaneous revenues received during the year.

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

| | <u>2020</u> <u>Amount</u> | <u>2019</u> <u>Amount</u> | <u>Percentage</u> <u>Change</u> |
|---|------------------------------|------------------------------|------------------------------------|
| <u>Expenditures</u> | | | |
| General government | \$ 2,054,471 | \$ 1,757,654 | 16.89 % |
| Security of persons and property - police | 2,051,400 | 2,443,428 | (16.04) % |
| Security of persons and property - fire | 100,000 | 286,855 | (65.14) % |
| Leisure time activities | 13,614 | 107,144 | (87.29) % |
| Community development | - | 210,805 | (100.00) % |
| Utility services | 103,949 | 84,617 | 22.85 % |
| Capital outlay | 60,505 | - | 100.00 % |
| Debt service | <u>90,104</u> | <u>45,028</u> | 100.11 % |
| Total | <u>\$ 4,474,043</u> | <u>\$ 4,935,531</u> | (9.35) % |

The general fund's resources were primarily used for general government and security of persons and property which accounted for 48.09% of all general fund expenditures in 2020. Expenditures remained relatively stable with a decrease of 9.35% from 2019. The decrease is primarily due to COVID-19 and the City's efforts to control expenditures.

Road Improvement Levy Fund

The road improvement levy fund had revenues and other financing sources of \$1,664,461 in 2020. This represents a decrease of \$350,061 from 2019 revenues and other financing sources. The road improvement levy fund had expenditures of \$1,499,543 in 2020, which is \$253,262 less than expenditures in 2019. The net increase in fund balance for the road improvement levy fund was \$164,918 or 8.37%.

CITY OF VERMILION, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

Fire Apparatus Fund

The fire apparatus fund had revenues of \$294,104 in 2020. This represents a decrease of \$60,319 from 2019 revenues and other financing sources. The expenditures of the fire apparatus fund, which totaled \$593,437 in 2020, increased \$395,937 from 2019. The net decrease in fund balance for the fire apparatus fund was \$299,333 or 11.17%.

Fire Station No. 1 Project Fund

The fire station No. 1 project fund had revenues of \$22,626 in 2020. This represents a decrease of \$4,023,970 from 2019 revenues and other financing sources due to a bond issuance during 2019. The expenditures of the fire station No. 1 project fund, which totaled \$3,568,953 in 2020, increased \$3,237,701 from 2019 as a result of the ongoing construction of the fire station. The net decrease in fund balance for the fire station No. 1 project fund was \$3,546,327 or 95.45%.

Budgeting Highlights

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. 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. From time to time during the year, the fund's budget may be amended as needs or conditions change.

In the general fund, budgeted revenues and other financing sources decreased \$1,394 from original to the final budget and budgeted expenditures and other financing uses increased \$15,668 from original to the final budget. The actual revenues and other financing sources were \$70,973 more than they were in the final budget and actual expenditures and other financing uses were \$725,025 less than the amount in the final budget due to conservative spending.

Proprietary Funds

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

The water fund had operating revenues of \$2,889,609 and operating expenses of \$1,352,316 in 2020. The water fund also had non-operating expenses of \$158,931 and non-operating revenues of \$12,082. The net increase in net position for the water fund was \$1,390,444 or 150.85% from 2019's restated net position.

The sewer fund had operating revenues of \$2,571,946 and operating expenses of \$2,323,136 in 2020. The sewer fund also had non-operating expenses of \$328,050 and non-operating revenues of \$3,250. The net decrease in net position for the sewer fund was \$75,990 or 8.38% from 2019's restated net position.

Capital Assets and Debt Administration

Capital Assets

At the end of 2020, the City had \$23,401,822 (net of accumulated depreciation) invested in land, construction in progress, buildings, equipment, furniture, infrastructure, land improvements, traffic lights, and vehicles. Of this total, \$12,510,710 was reported in governmental activities and \$10,891,112 was reported in business-type activities.

The following table shows 2020 capital asset balances compared to 2019. The balances at December 31, 2019 have been restated as described in Note 3.B.

CITY OF VERMILION, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

Capital Assets at December 31 (Net of Depreciation)

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|---------------------|--------------------------|---------------------|----------------------|----------------------|
| | 2020 | Restated 2019 | 2020 | Restated 2019 | 2020 | Restated 2019 |
| Land | \$ 3,690,031 | \$ 3,690,031 | \$ 236,445 | \$ 236,445 | \$ 3,926,476 | \$ 3,926,476 |
| Construction in progress | 3,933,980 | - | 1,949,058 | - | 5,883,038 | - |
| Buildings | 1,640,494 | 1,720,444 | 1,074,534 | 1,222,837 | 2,715,028 | 2,943,281 |
| Equipment | 973,708 | 1,127,066 | 598,101 | 828,441 | 1,571,809 | 1,955,507 |
| Infrastructure | 987,493 | 650,916 | 6,915,363 | 6,682,985 | 7,902,856 | 7,333,901 |
| Land improvements | 114,319 | 148,782 | 8,208 | 10,637 | 122,527 | 159,419 |
| Traffic lights | 3,114 | 4,671 | - | - | 3,114 | 4,671 |
| Vehicles | 1,167,571 | 1,489,346 | 109,403 | 109,562 | 1,276,974 | 1,598,908 |
| Totals | <u>\$ 12,510,710</u> | <u>\$ 8,831,256</u> | <u>\$ 10,891,112</u> | <u>\$ 9,090,907</u> | <u>\$ 23,401,822</u> | <u>\$ 17,922,163</u> |

The City's largest capital asset category is infrastructure which includes roads, water lines, and sewer lines. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents approximately 33.77% of the City's total capital assets. See Note 8 to the basic financial statements for additional capital asset detail.

Debt Administration

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

| | Governmental Activities | |
|----------------------------------|--------------------------|----------------------|
| | 2020 | 2019 |
| Bonds: | | |
| General obligation and refunding | \$ 8,357,105 | \$ 8,464,308 |
| Special assessment | 1,020,834 | 1,076,961 |
| OPWC loans | 169,928 | 132,979 |
| Lease-purchase loan | 117,352 | 235,955 |
| Capital lease | <u>121,368</u> | <u>177,902</u> |
| Total long-term obligations | <u>\$ 9,786,587</u> | <u>\$ 10,088,105</u> |
| | Business-type Activities | |
| | 2020 | 2019 |
| Bonds: | | |
| General obligation and refunding | \$ 5,089,415 | \$ 3,285,290 |
| Special assessment | 1,842,190 | 1,966,711 |
| OWDA loans | 3,929,947 | 4,227,155 |
| Capital lease | <u>151,738</u> | <u>175,866</u> |
| Total long-term obligations | <u>\$ 11,013,290</u> | <u>\$ 9,655,022</u> |

See Note 10 to the basic financial statements for detail on the City's long-term obligations.

CITY OF VERMILION, OHIO

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

Economic Conditions and Outlook

The City of Vermilion has experienced some financial difficulty. The various economic factors were considered in the preparation of the City's 2020 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.

Contacting the City's Financial Management

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.

BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

STATEMENT OF NET POSITION
DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

| | Governmental Activities | Business-type Activities | Total | Component Unit Port Authority |
|--|----------------------------|-----------------------------|---------------|----------------------------------|
| Assets: | | | | |
| Equity in pooled cash and cash equivalents | \$ 15,098,498 | \$ 2,549,933 | \$ 17,648,431 | \$ - |
| Cash with fiscal and escrow agents. | - | - | - | 80,201 |
| Receivables: | | | | |
| Income taxes. | 1,942,501 | - | 1,942,501 | - |
| Real and other taxes | 3,191,016 | - | 3,191,016 | - |
| Accounts. | 304,182 | 946,378 | 1,250,560 | 65 |
| Special assessments | 597,902 | 1,041,379 | 1,639,281 | - |
| Accrued interest | 22,249 | 506 | 22,755 | - |
| Due from other governments. | 711,658 | 972 | 712,630 | - |
| Materials and supplies inventory. | 25,288 | 16,044 | 41,332 | - |
| Prepayments | 82,085 | 451 | 82,536 | - |
| Net pension asset. | 12,208 | 7,755 | 19,963 | - |
| Internal balance | 20,000 | (20,000) | - | - |
| Capital assets: | | | | |
| Land and construction in progress. | 7,624,011 | 2,185,503 | 9,809,514 | 1,059,388 |
| Depreciable capital assets, net. | 4,886,699 | 8,705,609 | 13,592,308 | 778,290 |
| Total capital assets, net. | 12,510,710 | 10,891,112 | 23,401,822 | 1,837,678 |
| Total assets | 34,518,297 | 15,434,530 | 49,952,827 | 1,917,944 |
| Deferred outflows of resources: | | | | |
| Unamortized deferred charges on debt refunding | 117,819 | 18,782 | 136,601 | - |
| Pension | 876,419 | 274,757 | 1,151,176 | - |
| OPEB | 743,283 | 274,716 | 1,017,999 | - |
| Total deferred outflows of resources | 1,737,521 | 568,255 | 2,305,776 | - |
| Liabilities: | | | | |
| Accounts payable. | 47,034 | 22,330 | 69,364 | 523 |
| Contracts payable. | 143,540 | 83,204 | 226,744 | - |
| Accrued wages and benefits payable | 54,041 | 18,877 | 72,918 | - |
| Due to other governments | 75,595 | 26,283 | 101,878 | 144 |
| Accrued interest payable | 23,315 | 17,513 | 40,828 | - |
| Long-term liabilities: | | | | |
| Due within one year | 488,348 | 1,196,549 | 1,684,897 | 13,351 |
| Due greater than one year: | | | | |
| Net pension liability | 5,955,428 | 1,678,810 | 7,634,238 | - |
| Net OPEB liability | 2,232,867 | 1,109,865 | 3,342,732 | - |
| Other amounts due in more than one year | 9,711,448 | 9,916,172 | 19,627,620 | 897,091 |
| Total liabilities | 18,731,616 | 14,069,603 | 32,801,219 | 911,109 |
| Deferred inflows of resources: | | | | |
| Property taxes levied for the next fiscal year. | 3,068,450 | - | 3,068,450 | - |
| Unamortized deferred loss on debt refunding | - | 59,768 | 59,768 | - |
| Pension | 1,076,088 | 380,300 | 1,456,388 | - |
| OPEB | 470,367 | 164,022 | 634,389 | - |
| Total deferred inflows of resources | 4,614,905 | 604,090 | 5,218,995 | - |
| Net position: | | | | |
| Net investment in capital assets (deficit). | 2,698,402 | (246,368) | 2,452,034 | 927,236 |
| Restricted for: | | | | |
| Debt service | 400,066 | - | 400,066 | - |
| Capital projects | 4,414,701 | - | 4,414,701 | - |
| Streets and highways. | 3,062,474 | - | 3,062,474 | - |
| Fire and EMS. | 982,582 | - | 982,582 | - |
| Police. | 1,057,425 | - | 1,057,425 | - |
| Courts. | 428,993 | - | 428,993 | - |
| Public health. | 43,869 | - | 43,869 | - |
| Recreation. | 134,533 | - | 134,533 | - |
| Nonexpendable. | 66,906 | - | 66,906 | - |
| Other purposes. | 102,301 | - | 102,301 | - |
| Unrestricted (deficit) | (482,955) | 1,575,460 | 1,092,505 | 79,599 |
| Total net position | \$ 12,909,297 | \$ 1,329,092 | \$ 14,238,389 | \$ 1,006,835 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

| | | Program Revenues | | |
|--|----------------------|---|---|---|
| | Expenses | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government. | \$ 2,343,824 | \$ 547,124 | \$ 65,093 | \$ - |
| Security of persons and property - police. | 2,700,557 | 364,787 | 54,040 | - |
| Security of persons and property - fire | 748,676 | 123,665 | 1,000 | 22,626 |
| Public health and welfare | 822,714 | 136,176 | 711,246 | - |
| Transportation. | 1,717,481 | 396,676 | 909,738 | 325,000 |
| Leisure time activity. | 277,891 | 34,080 | 5,536 | 8,341 |
| Utility services | 148,556 | - | - | - |
| Refuse | 945,051 | 1,072,455 | - | - |
| Interest and fiscal charges. | 253,609 | - | - | - |
| Total governmental activities | <u>9,958,359</u> | <u>2,674,963</u> | <u>1,746,653</u> | <u>355,967</u> |
| Business-type activities: | | | | |
| Water | 1,511,247 | 2,833,746 | 3,250 | - |
| Sewer | 2,651,186 | 2,511,523 | 3,250 | - |
| Total business-type activities | <u>4,162,433</u> | <u>5,345,269</u> | <u>6,500</u> | <u>-</u> |
| Total primary government | <u>\$ 14,120,792</u> | <u>\$ 8,020,232</u> | <u>\$ 1,753,153</u> | <u>\$ 355,967</u> |
| Component Unit: | | | | |
| Port Authority. | <u>\$ 174,649</u> | <u>\$ 173,028</u> | <u>\$ -</u> | <u>\$ 10,000</u> |

General revenues:

Property taxes levied for:

General purposes
Debt service.
Capital outlay.
Other purposes

Income taxes 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 (restated)

Net position at end of year.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

| Net (Expense) Revenue and Changes in Net Position | | | |
|--|-----------------------------|----------------|----------------------------------|
| Governmental Activities | Business-type Activities | Total | Component Unit Port Authority |
| \$ (1,731,607) | \$ - | \$ (1,731,607) | \$ - |
| (2,281,730) | - | (2,281,730) | - |
| (601,385) | - | (601,385) | - |
| 24,708 | - | 24,708 | - |
| (86,067) | - | (86,067) | - |
| (229,934) | - | (229,934) | - |
| (148,556) | - | (148,556) | - |
| 127,404 | - | 127,404 | - |
| (253,609) | - | (253,609) | - |
| (5,180,776) | - | (5,180,776) | - |
| - | 1,325,749 | 1,325,749 | - |
| - | (136,413) | (136,413) | - |
| - | 1,189,336 | 1,189,336 | - |
| (5,180,776) | 1,189,336 | (3,991,440) | - |
| - | - | - | 8,379 |
| 2,276,114 | - | 2,276,114 | - |
| 77,556 | - | 77,556 | - |
| 386,588 | - | 386,588 | - |
| 600,374 | - | 600,374 | - |
| 2,722,201 | - | 2,722,201 | - |
| 1,620,315 | - | 1,620,315 | - |
| 487,562 | - | 487,562 | - |
| 327,909 | 8,832 | 336,741 | - |
| 400,205 | 116,286 | 516,491 | 28,323 |
| 8,898,824 | 125,118 | 9,023,942 | 28,323 |
| 3,718,048 | 1,314,454 | 5,032,502 | 36,702 |
| 9,191,249 | 14,638 | 9,205,887 | 970,133 |
| \$ 12,909,297 | \$ 1,329,092 | \$ 14,238,389 | \$ 1,006,835 |

CITY OF VERMILION, OHIO

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

| | General | Road Improvement Levy | Fire Apparatus | Fire Station No. 1 Project | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------|---------------------|-------------------------------|--------------------------------|--------------------------------|
| Assets: | | | | | | |
| Equity in pooled cash and cash equivalents | \$ 4,129,707 | \$ 2,013,085 | \$ 2,399,045 | \$ 294,964 | \$ 6,261,697 | \$ 15,098,498 |
| Receivables: | | | | | | |
| Income taxes. | 1,232,227 | 710,274 | - | - | - | 1,942,501 |
| Real and other taxes | 2,070,273 | - | 270,194 | - | 850,549 | 3,191,016 |
| Accounts. | 41,932 | - | - | - | 262,250 | 304,182 |
| Special assessments | 15,908 | - | - | - | 581,994 | 597,902 |
| Interfund loans. | 18,690 | - | - | - | - | 18,690 |
| Accrued interest | 22,249 | - | - | - | - | 22,249 |
| Due from other governments. | 275,629 | - | 18,936 | - | 417,093 | 711,658 |
| Advances to other funds | 20,000 | - | - | - | - | 20,000 |
| Materials and supplies inventory. | - | - | - | - | 25,288 | 25,288 |
| Prepayments | 70,958 | - | - | - | 11,127 | 82,085 |
| Total assets | <u>7,897,573</u> | <u>2,723,359</u> | <u>2,688,175</u> | <u>294,964</u> | <u>8,409,998</u> | <u>22,014,069</u> |
| Liabilities: | | | | | | |
| Accounts payable. | \$ 22,657 | \$ 14,227 | \$ - | \$ - | \$ 10,150 | \$ 47,034 |
| Contracts payable. | - | - | 17,593 | 125,947 | - | 143,540 |
| Accrued wages and benefits payable | 46,922 | - | - | - | 7,119 | 54,041 |
| Interfund loans payable. | - | - | - | - | 18,690 | 18,690 |
| Due to other governments | 44,137 | - | - | - | 31,458 | 75,595 |
| Total liabilities | <u>113,716</u> | <u>14,227</u> | <u>17,593</u> | <u>125,947</u> | <u>67,417</u> | <u>338,900</u> |
| Deferred inflows of resources: | | | | | | |
| Property taxes levied for the next fiscal year. | 1,990,000 | - | 259,700 | - | 818,750 | 3,068,450 |
| Delinquent property tax revenue not available. | 80,273 | - | 10,494 | - | 31,799 | 122,566 |
| Accrued interest not available | 11,955 | - | - | - | - | 11,955 |
| Special assessments revenue not available. | 15,908 | - | - | - | 581,994 | 597,902 |
| Miscellaneous revenue not available. | 57,307 | - | - | - | - | 57,307 |
| Income tax revenue not available | 995,154 | 573,622 | - | - | - | 1,568,776 |
| Intergovernmental revenue not available. | 215,448 | - | 18,936 | - | 274,014 | 508,398 |
| Total deferred inflows of resources | <u>3,366,045</u> | <u>573,622</u> | <u>289,130</u> | <u>-</u> | <u>1,706,557</u> | <u>5,935,354</u> |
| Fund balances: | | | | | | |
| Nonspendable | 86,365 | - | - | - | 103,321 | 189,686 |
| Restricted. | - | 2,135,510 | 2,381,452 | 169,017 | 5,350,015 | 10,035,994 |
| Committed | 220,203 | - | - | - | 1,182,688 | 1,402,891 |
| Assigned | 234,184 | - | - | - | - | 234,184 |
| Unassigned | <u>3,877,060</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,877,060</u> |
| Total fund balances. | <u>4,417,812</u> | <u>2,135,510</u> | <u>2,381,452</u> | <u>169,017</u> | <u>6,636,024</u> | <u>15,739,815</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 7,897,573</u> | <u>\$ 2,723,359</u> | <u>\$ 2,688,175</u> | <u>\$ 294,964</u> | <u>\$ 8,409,998</u> | <u>\$ 22,014,069</u> |

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, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

| | | |
|--|--------------|----------------------|
| Total governmental fund balances | | \$ 15,739,815 |
| <i>Amounts reported for governmental activities on the statement of net position are different because:</i> | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 12,510,710 |
| Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds. | | |
| Income taxes receivable | \$ 1,568,776 | |
| Real and other taxes receivable | 122,566 | |
| Accounts receivable | 57,307 | |
| Intergovernmental receivable | 508,398 | |
| Special assessments receivable | 597,902 | |
| Accrued interest receivable | 11,955 | |
| Total | | 2,866,904 |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. | | (23,315) |
| Unamortized deferred amounts on refundings are not recognized in the governmental funds. | | 117,819 |
| Unamortized premiums (discounts) on bond issuances are not recognized in the funds. | | (157,939) |
| The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds | | |
| Net pension asset | 12,208 | |
| Deferred outflows of resources | 876,419 | |
| Deferred inflows of resources | (1,076,088) | |
| Net pension liability | (5,955,428) | |
| Total | | (6,142,889) |
| The net OPEB liability is not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds. | | |
| Deferred outflows of resources | 743,283 | |
| Deferred inflows of resources | (470,367) | |
| Net OPEB liability | (2,232,867) | |
| Total | | (1,959,951) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Compensated absences | (367,727) | |
| Police and fire pension liability | (45,482) | |
| Capital lease payable | (121,368) | |
| General obligation bonds payable | (8,221,000) | |
| Lease purchase obligation | (117,352) | |
| Loans payable | (169,928) | |
| Special assessment bonds payable | (999,000) | |
| Total | | (10,041,857) |
| Net position of governmental activities | | <u>\$ 12,909,297</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

| | General | Road Improvement Levy | Fire Apparatus | Fire Station No. 1 Project | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------|---------------------|-------------------------------|--------------------------------|--------------------------------|
| Revenues: | | | | | | |
| Income taxes | \$ 2,230,897 | \$ 1,301,872 | \$ - | \$ - | \$ - | \$ 3,532,769 |
| Real and other taxes. | 2,264,308 | - | 256,231 | - | 802,091 | 3,322,630 |
| Charges for services. | 59,256 | 640 | - | - | 1,650,557 | 1,710,453 |
| Licenses and permits | 353,080 | - | - | - | - | 353,080 |
| Fines and forfeitures | 334,946 | - | - | - | 117,178 | 452,124 |
| Intergovernmental. | 341,898 | 325,000 | 37,873 | - | 1,790,936 | 2,495,707 |
| Special assessments | 7,308 | - | - | - | 36,666 | 43,974 |
| Investment income. | 315,954 | - | - | 22,626 | 504 | 339,084 |
| Contributions and donations. | 20,710 | - | - | - | 26,978 | 47,688 |
| Other | 421,845 | - | - | - | 130,020 | 551,865 |
| Total revenues | <u>6,350,202</u> | <u>1,627,512</u> | <u>294,104</u> | <u>22,626</u> | <u>4,554,930</u> | <u>12,849,374</u> |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| General government | 2,054,471 | - | - | - | 75,224 | 2,129,695 |
| Security of persons and property - police. | 2,051,400 | - | - | - | 250,270 | 2,301,670 |
| Security of persons and property - fire. | 100,000 | - | 51,302 | 3,401,382 | 303,030 | 3,855,714 |
| Public health and welfare. | - | - | - | - | 822,714 | 822,714 |
| Transportation | - | 1,238,539 | - | - | 772,276 | 2,010,815 |
| Leisure time activity | 13,614 | - | - | - | 219,180 | 232,794 |
| Utility services | 103,949 | - | - | - | - | 103,949 |
| Refuse. | - | - | - | - | 945,051 | 945,051 |
| Capital outlay | 60,505 | 94,087 | 320,179 | 167,571 | 67,665 | 710,007 |
| Debt service: | | | | | | |
| Principal retirement. | 79,989 | 79,701 | 90,000 | - | 146,447 | 396,137 |
| Interest and fiscal charges | 10,115 | 87,216 | 131,956 | - | 65,573 | 294,860 |
| Bond issuance costs | - | - | - | - | 39,654 | 39,654 |
| Total expenditures | <u>4,474,043</u> | <u>1,499,543</u> | <u>593,437</u> | <u>3,568,953</u> | <u>3,707,084</u> | <u>13,843,060</u> |
| Excess (deficiency) of revenues over (under) expenditures. | <u>1,876,159</u> | <u>127,969</u> | <u>(299,333)</u> | <u>(3,546,327)</u> | <u>847,846</u> | <u>(993,686)</u> |
| Other financing sources (uses): | | | | | | |
| Refunding bonds. | - | - | - | - | 1,930,000 | 1,930,000 |
| Payment to refunded bond escrow agent | - | - | - | - | (1,984,062) | (1,984,062) |
| Transfers in | - | - | - | - | 250,484 | 250,484 |
| Transfers (out). | (250,484) | - | - | - | - | (250,484) |
| Premium on bond issuance | - | - | - | - | 70,689 | 70,689 |
| Loan issuance. | - | 36,949 | - | - | - | 36,949 |
| Total other financing sources (uses) | <u>(250,484)</u> | <u>36,949</u> | <u>-</u> | <u>-</u> | <u>267,111</u> | <u>53,576</u> |
| Net change in fund balances | 1,625,675 | 164,918 | (299,333) | (3,546,327) | 1,114,957 | (940,110) |
| Fund balances at beginning of year (restated) . . . | <u>2,792,137</u> | <u>1,970,592</u> | <u>2,680,785</u> | <u>3,715,344</u> | <u>5,521,067</u> | <u>16,679,925</u> |
| Fund balances at end of year | <u>\$ 4,417,812</u> | <u>\$ 2,135,510</u> | <u>\$ 2,381,452</u> | <u>\$ 169,017</u> | <u>\$ 6,636,024</u> | <u>\$ 15,739,815</u> |

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, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

| | | |
|--|--------------|------------------|
| Net change in fund balances - total governmental funds | \$ | (940,110) |
| <i>Amounts reported for governmental activities in the statement of activities are different because:</i> | | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period. | | |
| Capital asset additions | \$ 4,420,486 | |
| Current year depreciation | (741,032) | |
| Total | | 3,679,454 |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | | |
| Income taxes | 809,747 | |
| Real and other taxes | 18,002 | |
| Intergovernmental revenues | 11,821 | |
| Special assessments | (32,930) | |
| Investment income | 11,955 | |
| Other | 8,438 | |
| Total | | 827,033 |
| The issuance of bonds and loans are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position. | | |
| | | (1,966,949) |
| Repayment of bond, loans and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position. | | |
| | | 396,137 |
| Premiums on general obligation bonds are recognized as other financing sources in the governmental funds, however, they are amortized over the life of the issuance in the statement of activities. | | |
| | | (70,689) |
| Payment to refunded bond escrow agent for the retirement of bonds is an other use in the governmental funds but the payment reduces the long-term liabilities on the statement of net position. | | |
| | | 1,984,062 |
| In the statement of activities, interest is accrued on outstanding bonds and loans, whereas in governmental funds, an interest expenditure is reported when due. | | |
| Decrease in accrued interest payable | 4,129 | |
| Amortization of deferred amounts on refunding | (1,243) | |
| Amortization of bond premiums and discounts | 78,019 | |
| Total | | 80,905 |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability and net OPEB liability are reported as pension/OPEB expense in the statement of activities. | | |
| Pension | 459,703 | |
| OPEB | 5,078 | |
| Total | | 464,781 |
| Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows. | | |
| Pension | (789,574) | |
| OPEB | (51,286) | |
| Total | | (840,860) |
| Some expenses reported in the statement of activities, such as compensated absences and the police pension liability do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. | | |
| | | 67,959 |
| The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the government-wide statement of activities. Governmental fund expenditures and the related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities. | | |
| | | 36,325 |
| Change in net position of governmental activities | \$ | 3,718,048 |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

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

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|----------------------------|----------------------------|----------------------------|---|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Income taxes | \$ 2,447,000 | \$ 2,447,000 | \$ 2,391,696 | \$ (55,304) |
| Real and other taxes. | 2,300,868 | 2,300,868 | 2,289,185 | (11,683) |
| Charges for services. | 30,625 | 30,625 | 30,120 | (505) |
| Licenses and permits | 377,825 | 377,825 | 353,055 | (24,770) |
| Fines and forfeitures | 372,404 | 372,404 | 344,769 | (27,635) |
| Intergovernmental. | 341,310 | 341,310 | 333,782 | (7,528) |
| Special assessments | 20,000 | 20,000 | 7,308 | (12,692) |
| Investment income. | 180,000 | 180,000 | 180,712 | 712 |
| Contributions and donations. | 20,645 | 20,645 | 20,710 | 65 |
| Other | 212,134 | 210,740 | 421,053 | 210,313 |
| Total revenues | <u>6,302,811</u> | <u>6,301,417</u> | <u>6,372,390</u> | <u>70,973</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 2,461,211 | 2,303,474 | 2,127,173 | 176,301 |
| Security of persons and property - police. | 2,508,594 | 2,582,780 | 2,129,403 | 453,377 |
| Security of persons and property - fire. | 108,700 | 108,700 | 100,000 | 8,700 |
| Leisure time activity | 15,000 | 15,000 | 13,633 | 1,367 |
| Utility services | 102,042 | 106,798 | 105,404 | 1,394 |
| Capital outlay | 214,494 | 214,494 | 141,084 | 73,410 |
| Debt service: | | | | |
| Principal retirement. | 5,000 | 5,000 | 5,000 | - |
| Interest and fiscal charges | 4,526 | 4,526 | 4,525 | 1 |
| Total expenditures | <u>5,419,567</u> | <u>5,340,772</u> | <u>4,626,222</u> | <u>714,550</u> |
| Excess of revenues over expenditures. | <u>883,244</u> | <u>960,645</u> | <u>1,746,168</u> | <u>785,523</u> |
| Other financing sources (uses): | | | | |
| Advances (out). | (5,000) | (5,000) | (23,690) | (18,690) |
| Transfers in | 42 | 42 | 42 | - |
| Transfers (out). | (401,500) | (495,963) | (466,798) | 29,165 |
| Total other financing sources (uses) | <u>(406,458)</u> | <u>(500,921)</u> | <u>(490,446)</u> | <u>10,475</u> |
| Net change in fund balances | 476,786 | 459,724 | 1,255,722 | 795,998 |
| Fund balances at beginning of year | 2,141,005 | 2,141,005 | 2,141,005 | - |
| Prior year encumbrances appropriated | 110,273 | 110,273 | 110,273 | - |
| Fund balance at end of year | <u><u>\$ 2,728,064</u></u> | <u><u>\$ 2,711,002</u></u> | <u><u>\$ 3,507,000</u></u> | <u><u>\$ 795,998</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
ROAD IMPROVEMENT LEVY
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

| | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) |
|---|-------------------------|---------------------|---------------------|---|
| | Original | Final | Actual | |
| Revenues: | | | | |
| Income taxes | \$ 1,395,000 | \$ 1,395,000 | \$ 1,378,610 | \$ (16,390) |
| Intergovernmental. | 613,085 | 616,425 | 4,521 | (611,904) |
| Charges for services. | 940 | 940 | 640 | (300) |
| Other | 3,000 | 3,000 | - | (3,000) |
| Total revenues | <u>2,012,025</u> | <u>2,015,365</u> | <u>1,383,771</u> | <u>(631,594)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| Transportation | 2,262,744 | 2,339,232 | 1,893,035 | 446,197 |
| Capital outlay | 319,527 | 319,527 | 143,079 | 176,448 |
| Debt service: | | | | |
| Principal retirement. | 35,000 | 35,000 | 35,000 | - |
| Interest and fiscal charges | 82,925 | 82,925 | 82,925 | - |
| Total expenditures | <u>2,700,196</u> | <u>2,776,684</u> | <u>2,154,039</u> | <u>622,645</u> |
| Net change in fund balances | (688,171) | (761,319) | (770,268) | (8,949) |
| Fund balances at beginning of year | 1,492,279 | 1,492,279 | 1,492,279 | - |
| Prior year encumbrances appropriated | 420,771 | 420,771 | 420,771 | - |
| Fund balance at end of year | <u>\$ 1,224,879</u> | <u>\$ 1,151,731</u> | <u>\$ 1,142,782</u> | <u>\$ (8,949)</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 DECEMBER 31, 2020
 (SEE ACCOUNTANT'S COMPILATION REPORT)

| | Business-type Activities - Enterprise Funds | | |
|---|--|---------------------|---------------------|
| | Water | Sewer | Total |
| Assets: | | | |
| Current assets: | | | |
| Equity in pooled cash and cash equivalents | \$ 1,647,376 | \$ 902,557 | \$ 2,549,933 |
| Receivables: | | | |
| Accounts | 463,948 | 482,430 | 946,378 |
| Special assessments | 1,246 | 1,040,133 | 1,041,379 |
| Accrued interest | 506 | - | 506 |
| Due from other governments | - | 972 | 972 |
| Materials and supplies inventory | 7,346 | 8,698 | 16,044 |
| Prepayments | 94 | 357 | 451 |
| Total current assets | <u>2,120,516</u> | <u>2,435,147</u> | <u>4,555,663</u> |
| Noncurrent assets: | | | |
| Net pension asset | 4,036 | 3,719 | 7,755 |
| Capital assets: | | | |
| Land and construction in progress | 1,052,879 | 1,132,624 | 2,185,503 |
| Depreciable capital assets, net | 3,748,713 | 4,956,896 | 8,705,609 |
| Total capital assets, net | <u>4,801,592</u> | <u>6,089,520</u> | <u>10,891,112</u> |
| Total noncurrent assets | <u>4,805,628</u> | <u>6,093,239</u> | <u>10,898,867</u> |
| Total assets | <u>6,926,144</u> | <u>8,528,386</u> | <u>15,454,530</u> |
| Deferred outflows of resources: | | | |
| Unamortized deferred charges on debt refunding | 9,896 | 8,886 | 18,782 |
| Pension | 139,300 | 135,457 | 274,757 |
| OPEB | 135,346 | 139,370 | 274,716 |
| Total deferred outflows of resources | <u>284,542</u> | <u>283,713</u> | <u>568,255</u> |
| Total assets and deferred outflows of resources | <u>7,210,686</u> | <u>8,812,099</u> | <u>16,022,785</u> |
| Liabilities: | | | |
| Current liabilities: | | | |
| Accounts payable | 5,312 | 17,018 | 22,330 |
| Contracts payable | 41,602 | 41,602 | 83,204 |
| Accrued wages and benefits payable | 13,028 | 5,849 | 18,877 |
| Due to other governments | 14,313 | 11,970 | 26,283 |
| Accrued interest payable | 7,506 | 10,007 | 17,513 |
| Compensated absences payable - current | 28,674 | 4,846 | 33,520 |
| Advances from other funds | 20,000 | - | 20,000 |
| General obligation bonds payable | 423,750 | 209,835 | 633,585 |
| Special assessment bonds payable | - | 206,415 | 206,415 |
| OWDA loans payable | - | 298,187 | 298,187 |
| Capital lease obligations payable | 12,421 | 12,421 | 24,842 |
| Total current liabilities | <u>566,606</u> | <u>818,150</u> | <u>1,384,756</u> |
| Long-term liabilities: | | | |
| Compensated absences payable | 56,382 | 9,529 | 65,911 |
| General obligation bonds payable | 2,467,215 | 1,988,615 | 4,455,830 |
| Special assessment bonds payable | - | 1,635,775 | 1,635,775 |
| OWDA loans payable | - | 3,631,760 | 3,631,760 |
| Capital lease obligations payable | 63,448 | 63,448 | 126,896 |
| Net pension liability | 873,682 | 805,128 | 1,678,810 |
| Net OPEB liability | 577,593 | 532,272 | 1,109,865 |
| Total long-term liabilities | <u>4,038,320</u> | <u>8,666,527</u> | <u>12,704,847</u> |
| Total liabilities | <u>4,604,926</u> | <u>9,484,677</u> | <u>14,089,603</u> |
| Deferred inflows of resources: | | | |
| Unamortized deferred loss on debt refunding | - | 59,768 | 59,768 |
| Pension | 208,163 | 172,137 | 380,300 |
| OPEB | 85,434 | 78,588 | 164,022 |
| Total deferred inflows of resources | <u>293,597</u> | <u>310,493</u> | <u>604,090</u> |
| Total liabilities and deferred inflows of resources | <u>293,597</u> | <u>310,493</u> | <u>604,090</u> |
| Net position: | | | |
| Net investment in capital assets (deficit) | 1,803,052 | (2,049,420) | (246,368) |
| Unrestricted | 509,111 | 1,066,349 | 1,575,460 |
| Total net position (deficit) | <u>\$ 2,312,163</u> | <u>\$ (983,071)</u> | <u>\$ 1,329,092</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

| | <u>Business-type Activities - Enterprise Funds</u> | | | Governmental Activities - Internal Service Funds |
|---|--|----------------------------|----------------------------|---|
| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> | |
| Operating revenues: | | | | |
| Charges for services | \$ 2,833,746 | \$ 2,511,523 | \$ 5,345,269 | \$ - |
| Other operating revenues | 55,863 | 60,423 | 116,286 | 36,325 |
| Total operating revenues. | <u>2,889,609</u> | <u>2,571,946</u> | <u>5,461,555</u> | <u>36,325</u> |
| Operating expenses: | | | | |
| Personal services | 891,045 | 855,345 | 1,746,390 | - |
| Contract services. | 12,859 | 678,544 | 691,403 | - |
| Materials and supplies. | 139,247 | 185,972 | 325,219 | - |
| Utilities | 73,424 | 216,801 | 290,225 | - |
| Depreciation. | 235,741 | 386,474 | 622,215 | - |
| Total operating expenses. | <u>1,352,316</u> | <u>2,323,136</u> | <u>3,675,452</u> | <u>-</u> |
| Operating income. | <u>1,537,293</u> | <u>248,810</u> | <u>1,786,103</u> | <u>36,325</u> |
| Nonoperating revenues (expenses): | | | | |
| Interest and fiscal charges | (89,935) | (124,452) | (214,387) | - |
| Interest income. | 8,832 | - | 8,832 | - |
| Intergovernmental | 3,250 | 3,250 | 6,500 | - |
| Bond issuance costs. | (68,996) | (203,598) | (272,594) | - |
| Total nonoperating revenues (expenses). | <u>(146,849)</u> | <u>(324,800)</u> | <u>(471,649)</u> | <u>-</u> |
| Change in net position | 1,390,444 | (75,990) | 1,314,454 | 36,325 |
| Net position at beginning of year (deficit) (restated) . . | <u>921,719</u> | <u>(907,081)</u> | <u>14,638</u> | <u>(36,325)</u> |
| Net position at end of year (deficit). | <u><u>\$ 2,312,163</u></u> | <u><u>\$ (983,071)</u></u> | <u><u>\$ 1,329,092</u></u> | <u><u>\$ -</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (SEE ACCOUNTANT'S COMPILATION REPORT)

| | Business-type Activities - Enterprise Funds | | | Governmental Activities - Internal Service Funds |
|--|--|--------------------------|--------------------------|---|
| | Water | Sewer | Total | |
| Cash flows from operating activities: | | | | |
| Cash received from sales/charges for services. | \$ 2,729,133 | \$ 2,636,009 | \$ 2,636,009 | \$ 36,325 |
| Cash received from other operations | 57,677 | 61,062 | 61,062 | - |
| Cash payments for personal services. | (854,358) | (847,245) | (847,245) | - |
| Cash payments for contractual services | (46,554) | (849,201) | (849,201) | - |
| Cash payments for materials and supplies | (149,485) | (194,192) | (194,192) | - |
| Net cash provided by operating activities | <u>1,736,413</u> | <u>806,433</u> | <u>806,433</u> | <u>36,325</u> |
| Cash flows from noncapital financing activities: | | | | |
| Cash received from grants and subsidies. | 3,250 | 3,250 | 3,250 | - |
| Cash used in repayment of interfund loans. | <u>-</u> | <u>-</u> | <u>-</u> | <u>(57,467)</u> |
| Net cash provided by (used in) noncapital financing activities. | <u>3,250</u> | <u>3,250</u> | <u>3,250</u> | <u>(57,467)</u> |
| Cash flows from capital and related financing activities: | | | | |
| Acquisition of capital assets | (1,447,891) | (974,529) | (974,529) | - |
| Principal retirement. | (359,313) | (545,023) | (545,023) | - |
| Issuance of bonds. | 1,480,000 | 2,535,000 | 2,535,000 | - |
| Payment to refunding bond escrow agent. | (380,000) | (1,468,584) | (1,468,584) | - |
| Interest and fiscal charges | (100,533) | (212,081) | (212,081) | - |
| Bond issuance costs. | (68,996) | (203,598) | (203,598) | - |
| Premium on bond issuance. | 68,996 | 110,946 | 110,946 | - |
| Net cash used in capital and related financing activities. | <u>(807,737)</u> | <u>(757,869)</u> | <u>(757,869)</u> | <u>-</u> |
| Cash flows from investing activities: | | | | |
| Interest received | <u>8,326</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net cash provided by investing activities | <u>8,326</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net increase (decrease) in cash and cash equivalents | 940,252 | 51,814 | 51,814 | (21,142) |
| Cash and cash equivalents at beginning of year | 707,124 | 850,743 | 850,743 | 21,142 |
| Cash and cash equivalents at end of year | <u><u>\$ 1,647,376</u></u> | <u><u>\$ 902,557</u></u> | <u><u>\$ 902,557</u></u> | <u><u>\$ -</u></u> |

- - Continued

CITY OF VERMILION, OHIO

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS (CONTINUED)
 FOR THE YEAR ENDED DECEMBER 31, 2020
 (SEE ACCOUNTANT'S COMPILATION REPORT)

| | <u>Business-type Activities - Enterprise Funds</u> | | | <u>Governmental Activities - Internal Service Funds</u> |
|---|--|-------------------|-------------------|---|
| | <u>Water</u> | <u>Sewer</u> | <u>Total</u> | |
| Reconciliation of operating income to net cash provided by operating activities: | | | | |
| Operating income. | \$ 1,537,293 | \$ 248,810 | \$ 248,810 | \$ 36,325 |
| Adjustments: | | | | |
| Depreciation. | 235,741 | 386,474 | 386,474 | - |
| Changes in assets, deferred outflows, liabilities and deferred inflows: | | | | |
| Materials and supplies inventory. | (1,707) | (5,052) | (5,052) | - |
| Accounts receivable. | (101,553) | (374) | (374) | - |
| Special assessments. | (1,246) | 126,471 | 126,471 | - |
| Intergovernmental receivable. | - | (972) | (972) | - |
| Prepayments. | (94) | 7,530 | 7,530 | - |
| Net pension asset. | (4,036) | (3,719) | (3,719) | - |
| Deferred outflows - pension. | 233,639 | 191,554 | 191,554 | - |
| Deferred outflows - OPEB. | (84,361) | (94,664) | (94,664) | - |
| Accounts payable. | (10,688) | (6,534) | (6,534) | - |
| Accrued wages and benefits. | (15,864) | (20,459) | (20,459) | - |
| Contracts payable. | 41,602 | 41,602 | 41,602 | - |
| Intergovernmental payable. | 3,309 | 2,029 | 2,029 | - |
| Compensated absences payable. | 13,766 | (28,486) | (28,486) | - |
| Net pension liability. | (378,264) | (292,638) | (292,638) | - |
| Net OPEB liability. | 7,586 | 32,463 | 32,463 | - |
| Deferred inflows - pension. | 183,709 | 150,695 | 150,695 | - |
| Deferred inflows - OPEB. | 77,581 | 71,703 | 71,703 | - |
| Net cash provided by operating activities. | <u>\$ 1,736,413</u> | <u>\$ 806,433</u> | <u>\$ 806,433</u> | <u>\$ 36,325</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO
STATEMENT OF FIUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

| | <u>Custodial</u> |
|---|-------------------------|
| Assets: | |
| Equity in pooled cash and cash equivalents. | \$ 17,889 |
| Cash in segregated accounts | <u>10,232</u> |
| Total assets | <u>28,121</u> |
| Liabilities: | |
| Due to other governments | <u>12,433</u> |
| Total liabilities | <u>12,433</u> |
| Net position: | |
| Restricted for individuals, organizations and other governments . . | <u>15,688</u> |
| Total net position | <u><u>\$ 15,688</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)**

| | <u>Custodial</u> |
|--|-------------------------|
| Additions: | |
| Fines and forfeitures for other governments | \$ 601,101 |
| Other custodial fund collections | <u>1,465</u> |
| Total additions | <u>602,566</u> |
| Deductions: | |
| Fines and forfeitures distributions to other governments . . . | 601,300 |
| Other custodial fund disbursements | <u>1,513</u> |
| Total deductions | <u>602,813</u> |
| Net change in fiduciary net position | (247) |
| Net position beginning of year (restated) | <u>15,935</u> |
| Net position end of year | <u><u>\$ 15,688</u></u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

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.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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.

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 was closed out during 2020, previously it was 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 custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that have certain characteristics. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's custodial funds accounts for municipal court's undistributed monies, and the collection of fees for commercial buildings and the state highway patrol and remitted to other governments.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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. Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

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.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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 represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for pension and 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, 2020, but which were levied to finance year 2021 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.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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 custodial 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 2020.

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.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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 2020, investments were limited to negotiable certificates of deposits, port authority bond, federal agency securities, U.S. government treasury notes, U.S. government money market and State Treasury Asset Reserve of Ohio (STAR Ohio). The federal agency securities held at year-end were issued from Federal National Mortgage Association (FNMA), Federal Home Loan Mortgage Corporation (FHLMC), 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 2020, 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 \$100 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.

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 2020 amounted to \$315,954, which includes \$253,056 assigned from other City's funds.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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:

| | Governmental Activities <u>Estimated Lives</u> | Business-Type Activities <u>Estimated Lives</u> |
|-------------------|--|---|
| Buildings | 20 Years | 20 Years |
| Equipment | 5 - 10 Years | 5 - 10 Years |
| Land Improvements | 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 |

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.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

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

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 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

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

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

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

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

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

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

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

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

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

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

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

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Restatement of Net Position and Fund Balances

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

| | General Fund | Road Improvement Levy | Fire Apparatus | Fire Station No. 1 Project | Other Governmental Funds | Total Governmental Funds |
|---|---------------------|-----------------------------|---------------------|-------------------------------|--------------------------------|--------------------------------|
| Fund balance as previously reported | \$ 2,776,049 | \$ 1,970,592 | \$ 2,680,785 | \$ 3,715,344 | \$ 5,521,067 | \$ 16,663,837 |
| GASB Statement No. 84 | <u>16,088</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>16,088</u> |
| Restated fund balance, at December 31, 2019 | <u>\$ 2,792,137</u> | <u>\$ 1,970,592</u> | <u>\$ 2,680,785</u> | <u>\$ 3,715,344</u> | <u>\$ 5,521,067</u> | <u>\$ 16,679,925</u> |

In addition to the implementation of GASB Statement No. 84, the City also restated the beginning balance of capital assets due to errors and omissions in the previous year. The implementation of GASB Statement No. 84 and the restatement of capital assets had the following effect on the net position as reported at December 31, 2019:

| | Governmental Activities | Business-type Activities |
|--|----------------------------|-----------------------------|
| Net position as previously reported | \$ 14,166,509 | \$ 736,700 |
| GASB Statement No. 84 | 16,088 | - |
| Capital Asset Restatement | <u>(4,991,348)</u> | <u>(722,062)</u> |
| Restated net position at December 31, 2019 | <u>\$ 9,191,249</u> | <u>\$ 14,638</u> |

Due to the implementation of GASB Statement No. 84, the new classification of custodial funds is reporting a beginning net position of \$15,935. Also, related to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. At December 31, 2019, agency funds reported assets and liabilities of \$113,120. The agency funds previously included component unit funds of \$60,519. Under GASB Statement No. 84, these funds are not reflected in the balance or activity of custodial funds.

C. Deficit Fund Balances

Fund balances at December 31, 2020 included the following individual fund deficits:

| <u>Fund:</u> | <u>Deficit</u> |
|--------------|----------------|
| Sewer | \$ 983,071 |

The general fund is liable for any deficit in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

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:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than restricted, committed or assigned fund balance (GAAP basis).
4. Advances in and advances out ("repayment of advances") are nonoperating transactions (budget basis) and opposed to balance sheet transactions (GAAP basis).
5. Some funds are included in the general fund (GAAP basis) but have separate legally adopted budgets (budget basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis are as follows:

| | General Fund | Road Improvement Fund |
|---|---------------------|-----------------------|
| GAAP basis | \$ 1,255,722 | \$ (770,268) |
| Net adjustment for revenue accruals | (71,769) | 243,741 |
| Net adjustment for expenditure accruals | (84,459) | 654,496 |
| Net adjustment for other sources/uses | 239,962 | 36,949 |
| Funds budgeted elsewhere | 133,412 | - |
| Adjustment for encumbrances | 152,807 | - |
| Budget basis | <u>\$ 1,625,675</u> | <u>\$ 164,918</u> |

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CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

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, and Government National Mortgage 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 with certain limitations including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;
4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool, the STATE Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptances (for a period not to exceed one hundred eighty days and commercial paper notes (for a period not to exceed two hundred seventy days) in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 5 - DEPOSITS AND INVESTMENTS – (Continued)

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

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

Deposits: At year-end, the carrying amount of the City's deposits was \$5,586,368 and the bank balance was \$6,039,043. 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, 2020, the City had the following investments:

| Measurement/ <u>Investment Type</u> | Measurement Value | Investment Maturities | | | | |
|--|----------------------|-----------------------|-------------------|--------------------|--------------------|---------------------------|
| | | 6 months or less | 7 to 12 months | 13 to 18 months | 19 to 24 months | Greater than 24 months |
| <i>Fair Value:</i> | | | | | | |
| US Treasury Note | \$ 1,047,632 | \$ 225,653 | \$ 151,715 | \$ 229,890 | \$ 335,011 | \$ 105,363 |
| FFCB | 1,881,796 | - | - | 600,519 | - | 1,281,277 |
| FHLMC MTN | 763,760 | - | - | - | - | 763,760 |
| FHLMC | 300,095 | - | - | - | - | 300,095 |
| FNMA | 678,423 | - | - | - | - | 678,423 |
| Negotiable CDs | 5,919,316 | 494,590 | 381,359 | 871,760 | 853,640 | 3,317,967 |
| Port Authority Bond | 910,442 | - | - | - | - | 910,442 |
| US Government Money Market | 22,118 | 22,118 | - | - | - | - |
| <i>Amortized Cost:</i> | | | | | | |
| STAR Ohio | 566,352 | 566,352 | - | - | - | - |
| Total | \$ 12,089,934 | \$ 1,308,713 | \$ 533,074 | \$ 1,702,169 | \$ 1,188,651 | \$ 7,357,327 |

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, 2020. 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.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 5 - DEPOSITS AND INVESTMENTS – (Continued)

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.

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), 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. The City's investment in the Vermilion Port Authority bond has not yet been rated.

Concentration of Credit Risk: The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the County at December 31, 2020:

| Measurement/ <u>Investment Type</u> | Measurement <u>Value</u> | % of <u>Total</u> |
|--|-----------------------------|----------------------|
| <i>Fair Value:</i> | | |
| US Treasury Note | \$ 1,047,632 | 8.67% |
| FFCB | 1,881,796 | 15.56% |
| FHLMC MTN | 763,760 | 6.32% |
| FHLMC | 300,095 | 2.48% |
| FNMA | 678,423 | 5.61% |
| Negotiable CDs | 5,919,316 | 48.96% |
| Port Authority Bond | 910,442 | 7.53% |
| US Government Money Market | 22,118 | 4.69% |
| <i>Amortized Cost:</i> | | |
| STAR Ohio | 566,352 | 0.18% |
| Total | <u>\$ 12,089,934</u> | <u>100.00%</u> |

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 5 - DEPOSITS AND INVESTMENTS – (Continued)

Reconciliation of Cash to the Statement of Net Position: The following is a reconciliation of cash as reported in the note above to cash as reported on the statement of net position as of December 31, 2020:

| | |
|---|----------------------|
| <u>Cash and investments per note</u> | |
| Carrying amount of deposits | \$ 5,586,368 |
| Investments | 12,089,934 |
| Cash on hand | 250 |
| Total | <u>\$ 17,676,552</u> |
| <u>Cash per statement of net position</u> | |
| Governmental activities | \$ 15,098,498 |
| Business-type activities | 2,549,933 |
| Custodial funds | 28,121 |
| Total | <u>\$ 17,676,552</u> |

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 2020 for real and public utility property taxes represents collections of the 2019 taxes. Property tax payments received during 2020 for tangible personal property (other than public utility property) is for 2019 taxes.

2020 real property taxes are levied after October 1, 2020, on the assessed value as of January 1, 2020, the lien date. Assessed values are established by State law at 35% of appraised market value. 2020 real property taxes are collected in and intended to finance 2021.

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. 2019 public utility property taxes became a lien December 31, 2019, are levied after October 1, 2020, and are collected in 2021 with real property taxes.

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, 2020 was \$11.75 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2020 property tax receipts were based are as follows:

| | <u>Erie</u> <u>County</u> | <u>Lorain</u> <u>County</u> |
|--------------------------------|------------------------------|--------------------------------|
| Real estate | | |
| Residential/agricultural/other | \$ 123,544,990 | \$ 134,362,570 |
| Commercial/industrial | 12,178,390 | 22,491,050 |
| Public utility | 43,010 | 78,830 |
| Tangible personal property | | |
| Public utility | <u>2,527,440</u> | <u>2,926,560</u> |
| Total | <u>\$ 138,293,830</u> | <u>\$ 159,859,010</u> |

CITY OF VERMILION, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 6 – TAXES – (Continued)

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 received to the general fund and the road improvement levy fund.

NOTE 7 - RECEIVABLES

Receivables at December 31, 2020 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 | Business-type activities |
|------------------------------------|------------------------------------|-------------------------------------|
| Gasoline tax | \$ 304,093 | \$ - |
| Local government | 112,050 | - |
| Permissive tax | 16,577 | - |
| Homestead/rollback | 207,061 | - |
| Motor vehicle registration | 34,462 | - |
| Other | <u>37,415</u> | <u>972</u> |
| Total intergovernmental receivable | <u>\$ 711,658</u> | <u>\$ 972</u> |

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CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

| | Restated Balance <u>1/1/2020</u> | <u>Additions</u> | <u>Deductions</u> | Balance <u>12/31/2020</u> |
|---|--|---------------------|-------------------|------------------------------|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 3,690,031 | \$ - | \$ - | \$ 3,690,031 |
| Construction in progress | <u>-</u> | <u>3,933,980</u> | <u>-</u> | <u>3,933,980</u> |
| Total capital assets, not being depreciated | <u>3,690,031</u> | <u>3,933,980</u> | <u>-</u> | <u>7,624,011</u> |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings | 4,066,390 | - | - | 4,066,390 |
| Equipment | 3,074,525 | 12,249 | - | 3,086,774 |
| Infrastructure | 16,003,123 | 474,257 | - | 16,477,380 |
| Land improvements | 2,310,890 | - | - | 2,310,890 |
| Traffic lights | 69,525 | - | - | 69,525 |
| Vehicles | <u>6,081,419</u> | <u>-</u> | <u>-</u> | <u>6,081,419</u> |
| Total capital assets, being depreciated | <u>31,605,872</u> | <u>486,506</u> | <u>-</u> | <u>32,092,378</u> |
| <i>Less: accumulated depreciated</i> | | | | |
| Buildings | (2,345,946) | (79,950) | - | (2,425,896) |
| Equipment | (1,947,459) | (165,607) | - | (2,113,066) |
| Infrastructure | (15,352,207) | (137,680) | - | (15,489,887) |
| Land improvements | (2,162,108) | (34,463) | - | (2,196,571) |
| Traffic lights | (64,854) | (1,557) | - | (66,411) |
| Vehicles | <u>(4,592,073)</u> | <u>(321,775)</u> | <u>-</u> | <u>(4,913,848)</u> |
| Total accumulated depreciation | <u>(26,464,647)</u> | <u>(741,032)</u> | <u>-</u> | <u>(27,205,679)</u> |
| Governmental activities capital assets, net | <u>\$ 8,831,256</u> | <u>\$ 3,679,454</u> | <u>\$ -</u> | <u>\$ 12,510,710</u> |

Depreciation expense was charged to governmental functions as follows:

Governmental activities:

| | |
|--|-------------------|
| General government | \$ 225,843 |
| Security of persons and property - police | 140,604 |
| Security of persons and property - fire | 126,459 |
| Transportation | 165,312 |
| Leisure time activities | 41,028 |
| Utility services | <u>41,786</u> |
| Total depreciation expense - governmental activities | <u>\$ 741,032</u> |

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 8 - CAPITAL ASSETS - (Continued)

Capital asset activity of the business-type activities for the year ended December 31, 2020 was as follows:

| | Restated Balance 1/1/2020 | Additions | Deductions | Balance 12/31/2020 |
|---|---------------------------------|--------------|------------|-----------------------|
| <i>Capital assets, not being depreciated:</i> | | | | |
| Land | \$ 236,445 | \$ - | \$ - | \$ 236,445 |
| Construction in progress | - | 1,949,058 | - | 1,949,058 |
| Total capital assets, not being depreciated | 236,445 | 1,949,058 | - | 2,185,503 |
| <i>Capital assets, being depreciated:</i> | | | | |
| Buildings | 12,800,750 | - | - | 12,800,750 |
| Equipment | 7,651,501 | - | - | 7,651,501 |
| Infrastructure | 11,561,110 | 453,077 | - | 12,014,187 |
| Land improvements | 101,179 | - | - | 101,179 |
| Vehicles | 440,953 | 20,285 | - | 461,238 |
| Total capital assets, being depreciated | 32,555,493 | 473,362 | - | 33,028,855 |
| <i>Less: accumulated depreciated</i> | | | | |
| Buildings | (11,577,913) | (148,303) | - | (11,726,216) |
| Equipment | (6,823,060) | (230,340) | - | (7,053,400) |
| Infrastructure | (4,878,125) | (220,699) | - | (5,098,824) |
| Land improvements | (90,542) | (2,429) | - | (92,971) |
| Vehicles | (331,391) | (20,444) | - | (351,835) |
| Total accumulated depreciation | (23,701,031) | (622,215) | - | (24,323,246) |
| Business-type activities capital assets, net | \$ 9,090,907 | \$ 1,800,205 | \$ - | \$ 10,891,112 |

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

Business-type activities

| | |
|---|-------------------|
| Water | \$ 235,741 |
| Sewer | 386,474 |
| Total depreciation expense - business-type activities | <u>\$ 622,215</u> |

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.

CITY OF VERMILION, OHIO

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)**

NOTE 9 - COMPENSATED ABSENCES – (Continued)

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, 2020, the liability for long-term unpaid compensated absences was \$367,727 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 \$99,431 which would be paid from water and sewer fund.

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CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 10 - LONG-TERM OBLIGATIONS

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

| | Balance 1/1/2020 | Additions | Reductions | Balance 12/31/2020 | Amounts Due in One Year |
|--|---------------------|--------------|----------------|-----------------------|----------------------------|
| Governmental activities: | | | | | |
| <u>General obligation bonds:</u> | | | | | |
| 2011 Park Improvement Refunding, 2-3% | \$ 45,000 | \$ - | \$ (45,000) | \$ - | \$ - |
| Premium | 159 | - | (159) | - | - |
| 2012 Various Purpose Lagoons, 3-4% | 1,290,000 | - | (1,290,000) | - | - |
| Premium | 46,854 | - | (46,854) | - | - |
| 2012 Various Purpose Nautical Dr., 3-4% | 125,000 | - | (125,000) | - | - |
| Premium | 5,138 | - | (5,138) | - | - |
| 2018 Various Purpose Streets, 3.25-5% | 2,305,000 | - | (20,000) | 2,285,000 | 20,000 |
| Premium | 31,464 | - | (2,811) | 28,653 | - |
| 2018 Various Purpose Elberta Rd. Drainage, 3.25-5% | 375,000 | - | (5,000) | 370,000 | 5,000 |
| Premium | 5,336 | - | (353) | 4,983 | - |
| 2018 Various Purpose Parking Lot, 3.25-5% | 115,000 | - | (5,000) | 110,000 | 5,000 |
| Premium | 3,293 | - | (274) | 3,019 | - |
| 2019 Various Purpose Refunding Street, 2.26% | 69,000 | - | (8,000) | 61,000 | 16,000 |
| 2019 Fire Station Improvement, 3-4% | 4,000,000 | - | (90,000) | 3,910,000 | 90,000 |
| Premium | 48,064 | - | (2,716) | 45,348 | - |
| 2020 Various Purpose Refunding Bonds | - | 1,485,000 | - | 1,485,000 | 10,000 |
| Premium | - | 54,670 | (568) | 54,102 | - |
| Total general obligations bonds | 8,464,308 | 1,539,670 | (1,646,873) | 8,357,105 | 146,000 |
| <u>Special assessment bonds:</u> | | | | | |
| 2011 Refunding - Edson Street, 2-3.85% | 465,000 | - | (30,000) | 435,000 | 35,000 |
| Premium | 1,624 | - | (236) | 1,388 | - |
| 2012 Various Purpose Lagoons, 3-4% | 450,000 | - | (450,000) | - | - |
| Premium | 16,634 | - | (16,634) | - | - |
| 2018 Various Purpose Refunding Highbridge, 5% | 85,000 | - | (15,000) | 70,000 | 15,000 |
| Premium | 6,703 | - | (2,110) | 4,593 | - |
| 2019 Various Purpose - Edgewater, 2.26% | 52,000 | - | (3,000) | 49,000 | 6,000 |
| 2020 Various Purpose Refunding Lagoons | - | 445,000 | - | 445,000 | 20,000 |
| Premium | - | 16,019 | (166) | 15,853 | - |
| Total special assessment bonds | 1,076,961 | 461,019 | (517,146) | 1,020,834 | 76,000 |
| <u>Ohio Public Works (OPWC) Loans (Direct Borrowings):</u> | | | | | |
| Hollyview Drive Reconstruction - CE33V | 132,979 | 4,521 | - | 137,500 | 3,438 |
| Highbridge Road Reconstruction - CE26W | - | 32,428 | - | 32,428 | - |
| Total OPWC | 132,979 | 36,949 | - | 169,928 | 3,438 |
| <u>Other long-term obligations:</u> | | | | | |
| Capital Lease | 177,902 | - | (56,534) | 121,368 | 59,034 |
| 2016 Lease-Purchase Loan | 43,614 | - | (43,614) | - | - |
| 2019 Lease Purchase Police Vehicles | 192,341 | - | (74,989) | 117,352 | 77,571 |
| Compensated Absences | 433,448 | 69,661 | (135,382) | 367,727 | 123,970 |
| Police Unfunded Pension Liability | 47,720 | - | (2,238) | 45,482 | 2,335 |
| Net Pension Liability: | | | | | |
| OPERS | 3,817,512 | - | (1,174,754) | 2,642,758 | - |
| OP&F | 4,062,221 | - | (749,551) | 3,312,670 | - |
| Net OPEB Liability | | | | | |
| OPERS | 1,738,100 | 9,033 | - | 1,747,133 | - |
| OP&F | 453,196 | 32,538 | - | 485,734 | - |
| Total other long-term obligations | 10,966,054 | 111,232 | (2,237,062) | 8,840,224 | 262,910 |
| Total governmental activities long-term obligations | \$ 20,640,302 | \$ 2,148,870 | \$ (4,401,081) | \$ 18,388,091 | \$ 488,348 |

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

| | Balance 1/1/2020 | Additions | Reductions | Balance 12/31/2020 | Amounts Due in One Year |
|---|---------------------|-----------|-------------|-----------------------|----------------------------|
| Business-type activities: | | | | | |
| <u>General obligation bonds:</u> | | | | | |
| Water fund: | | | | | |
| 2012 Water System Refunding, 2.75-4% | \$ 415,000 | \$ - | \$ (45,000) | \$ 370,000 | \$ 45,000 |
| Premium | 1,984 | - | (421) | 1,563 | - |
| 2010 General Obligation - Water, 2-4.125% | 370,000 | - | (370,000) | - | - |
| 2011 Water Improvement Bonds, 2-3.85% | 200,000 | - | (15,000) | 185,000 | 15,000 |
| 2011 Waterwork Improvement Refunding, 2-3% | 370,500 | - | (185,250) | 185,250 | 185,250 |
| Premium | 2,442 | - | (1,280) | 1,162 | - |
| 2018 Various Purpose Refunding Waterworks, 5% | 55,000 | - | (10,000) | 45,000 | 10,000 |
| Premium | 4,339 | - | (1,364) | 2,975 | - |
| 2018 Various Purpose Refunding Water Plant, 5% | 205,000 | - | (35,000) | 170,000 | 40,000 |
| Premium | 15,918 | - | (5,099) | 10,819 | - |
| 2019 Various Purpose Refunding - Water Treatment, 2.26% | 432,000 | - | (22,000) | 410,000 | 41,000 |
| 2020 Water System Improvement Bonds - 2.0-5.0% | - | 1,100,000 | (35,000) | 1,065,000 | 52,500 |
| Premium | - | 68,996 | (4,800) | 64,196 | - |
| 2020 General Obligation Refunding - Water 1.0-4.0% | - | 380,000 | - | 380,000 | 35,000 |
| Total water fund general obligations bonds | 2,072,183 | 1,548,996 | (730,214) | 2,890,965 | 423,750 |
| Sewer fund: | | | | | |
| 2005 Sunny Side Sanitary Sewer, 4.9% | 154,825 | - | (22,520) | 132,305 | 25,335 |
| 2012 Various Purpose Sanitary Sewer, 3-4% | 165,000 | - | (165,000) | - | - |
| Premium | 6,539 | - | (6,539) | - | - |
| 2018 Various Purpose Refunding Sewage System, 5% | 50,000 | - | (10,000) | 40,000 | 10,000 |
| Premium | 3,763 | - | (2,509) | 1,254 | - |
| 2018 Various Purpose Refunding Wastewater Treatment, 5% | 470,000 | - | (85,000) | 385,000 | 85,000 |
| Premium | 36,480 | - | (11,703) | 24,777 | - |
| 2019 Various Purpose - East Liberty, 2.26% | 326,500 | - | (15,500) | 311,000 | 32,000 |
| 2020 Various Purpose Refunding Bonds - 1.0-4.0% | - | 170,000 | - | 170,000 | 5,000 |
| Premium | - | 4,970 | (52) | 4,918 | - |
| 2020 Water System Improvement Bonds - 2.0-5.0% | - | 1,100,000 | (35,000) | 1,065,000 | 52,500 |
| Premium | - | 68,996 | (4,800) | 64,196 | - |
| Total sewer fund general obligations bonds | 1,213,107 | 1,343,966 | (358,623) | 2,198,450 | 209,835 |
| Total general obligations bonds | 3,285,290 | 2,892,962 | (1,088,837) | 5,089,415 | 633,585 |
| <u>Special assessment bonds:</u> | | | | | |
| Sewer fund: | | | | | |
| 2011 Highbridge Refunding, 2-3% | 19,500 | - | (9,750) | 9,750 | 9,750 |
| Premium | 92 | - | (30) | 62 | - |
| 2005 Sunny Side Sanitary SA 4.9% | 120,175 | - | (17,480) | 102,695 | 19,665 |
| 2010 General Obligation, 2-4.125% | 1,355,000 | - | (1,355,000) | - | - |
| 2018 Various Purpose Refunding Lagoon, 5% | 135,000 | - | (25,000) | 110,000 | 25,000 |
| Premium | 10,444 | - | (3,357) | 7,087 | - |
| 2019 Various Purpose - East Liberty, 2.26% | 326,500 | - | (15,500) | 311,000 | 32,000 |
| 2020 Refunding - SS Subsystem K SA, 1.0-4.0% | - | 1,265,000 | - | 1,265,000 | 120,000 |
| Premium | - | 36,980 | (384) | 36,596 | - |
| Total special assessment bonds | 1,966,711 | 1,301,980 | (1,426,501) | 1,842,190 | 206,415 |
| <u>Ohio Water Development Authority (OWDA) Loans:</u> | | | | | |
| Sewer fund (Direct Borrowings): | | | | | |
| 2011 WWTP Bio-solids Dewatering Facility, 2.62% | 453,344 | - | (32,608) | 420,736 | 33,467 |
| 2012 Primary Clarifier Improvements, 2.80% | 84,648 | - | (5,481) | 79,167 | 5,636 |
| 2001 Park Drive Lift Station, 4.38% | 6,745 | - | (6,745) | - | - |
| 2001 Contract B Lift Stations, 2.58% | 160,446 | - | (79,194) | 81,252 | 81,252 |
| 2012 Elberta Beach SSO Elimination, 2.48% | 1,110,570 | - | (64,510) | 1,046,060 | 66,120 |
| 2015 River Pump Station, 2.78% | 2,411,402 | - | (108,670) | 2,302,732 | 111,712 |
| Total OWDA loans | 4,227,155 | - | (297,208) | 3,929,947 | 298,187 |

(Continued)

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

| Business-type activities (continued): | Balance 1/1/2020 | Additions | Reductions | Balance 12/31/2020 | Amounts Due in One Year |
|---------------------------------------|----------------------|---------------------|-----------------------|-----------------------|----------------------------|
| <u>Other long-term obligations:</u> | | | | | |
| Capital Lease - Water | 87,932 | - | (12,063) | 75,869 | 12,421 |
| Capital Lease - Sewer | 87,934 | - | (12,065) | 75,869 | 12,421 |
| Compensated Absences | 114,151 | 34,507 | (49,227) | 99,431 | 33,520 |
| Net Pension Liability | 2,349,712 | - | (670,902) | 1,678,810 | - |
| Net OPEB Liability | 1,069,816 | 40,049 | - | 1,109,865 | - |
| Total other long-term obligations | 3,709,545 | 74,556 | (744,257) | 3,039,844 | 58,362 |
| Total business-type activities | | | | | |
| long-term obligations | <u>\$ 13,188,701</u> | <u>\$ 4,269,498</u> | <u>\$ (3,556,803)</u> | <u>\$ 13,901,396</u> | <u>\$ 1,196,549</u> |

During 2020, the City issued \$3,745,000 in Various Purpose Refunding Bonds. This issuance included water refunding bonds, sewer refunding bonds, special assessment refunding bonds, and general obligation bonds. The interest rate on these bonds are 1.0% - 4.0%. The difference between the reacquisition price and the net carrying amount of the old debt will be amortized over the life of the new debt. The City refunded the old bonds to reduce their total debt service payments over the next ten years.

During 2020, the City issued \$2,200,000 in series 2020 Water System Improvement Bonds for the purpose of paying costs of acquiring and installing metering system equipment and technological improvements for the Water and Sewer funds. The interest rate on these bonds are 2.0% - 5.0%. The final maturity is December 1, 2029.

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 the refunding of the 2009 Various Purpose Bonds. 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 and 2020, the City received interest-free loan proceeds from the Ohio Public Works Commission (OPWC). This is a direct borrowing. The \$137,500 loan for Hollyview Drive Reconstruction is scheduled to be paid back in equal installments of \$6,875 over 20 years. The first payment is due in 2021. The second loan for Highbridge Road Reconstruction is still open, the City received \$32,428 in proceeds in 2020. In the event of default, the OPWC may (1) charge an 8% default interest rate from the date of the default to the date of the payment and charge the City for all costs incurred by the OPWC in curing the default, (2) in accordance with Ohio Revised Code 164.05, direct the county treasurer of the county in which the City is located to pay the amount of the default from funds that would otherwise be appropriated to the City from such county's undivided local government fund pursuant to ORC 5747.51-5747.53, or (3) at its discretion, declare the entire principal amount of loan then remaining unpaid, together with all accrued interest and other charges, become immediately due and payable.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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. Current operations are expected to provide cash flows for the repayment of this loan.

The OWDA loans are direct borrowings. In the event of default, the OWDA may declare the full amount of the then unpaid original loan amount to be immediately due and payable and/or require the City to pay any fines, penalties, interest, or late charges associated with the default.

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.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The principal and interest requirements to retire the long-term debt obligations outstanding at December 31, 2020, are as follows:

Governmental Activities

| Year | General Obligation Bonds | | | Special Assessment Bonds | | |
|-------------|--------------------------|---------------------|----------------------|--------------------------|-------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2021 | \$ 146,000 | \$ 255,698 | \$ 401,698 | \$ 76,000 | \$ 29,347 | \$ 105,347 |
| 2022 | 220,000 | 248,441 | 468,441 | 81,000 | 26,165 | 107,165 |
| 2023 | 235,000 | 239,603 | 474,603 | 96,000 | 23,053 | 119,053 |
| 2024 | 245,000 | 230,163 | 475,163 | 96,000 | 19,294 | 115,294 |
| 2025 | 415,000 | 220,324 | 635,324 | 85,000 | 15,532 | 100,532 |
| 2026 - 2030 | 2,295,000 | 929,834 | 3,224,834 | 465,000 | 47,390 | 512,390 |
| 2031 - 2035 | 1,870,000 | 614,301 | 2,484,301 | 100,000 | 2,558 | 102,558 |
| 2036 - 2040 | 1,100,000 | 365,380 | 1,465,380 | - | - | - |
| 2041 - 2045 | 915,000 | 210,668 | 1,125,668 | - | - | - |
| 2046 - 2049 | 780,000 | 64,283 | 844,283 | - | - | - |
| | <u>\$ 8,221,000</u> | <u>\$ 3,378,695</u> | <u>\$ 11,599,695</u> | <u>\$ 999,000</u> | <u>\$ 163,339</u> | <u>\$ 1,162,339</u> |

| Year | OPWC Loan | | | Ohio Police and Fire Pension Liability | | |
|-------------|-------------------|-------------|-------------------|--|------------------|------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2021 | \$ 6,875 | \$ - | \$ 6,875 | \$ 2,335 | \$ 1,908 | \$ 4,243 |
| 2022 | 6,875 | - | 6,875 | 2,435 | 1,808 | 4,243 |
| 2023 | 6,875 | - | 6,875 | 2,540 | 1,703 | 4,243 |
| 2024 | 6,875 | - | 6,875 | 2,649 | 1,594 | 4,243 |
| 2025 | 6,875 | - | 6,875 | 2,763 | 1,480 | 4,243 |
| 2026 - 2030 | 34,375 | - | 34,375 | 15,701 | 5,516 | 21,217 |
| 2031 - 2035 | 34,375 | - | 34,375 | 17,059 | 1,847 | 18,906 |
| 2036 - 2040 | 34,375 | - | 34,375 | - | - | - |
| | <u>\$ 137,500</u> | <u>\$ -</u> | <u>\$ 137,500</u> | <u>\$ 45,482</u> | <u>\$ 15,856</u> | <u>\$ 61,338</u> |

Business-Type Activities

| Year | General Obligation Bonds | | | Special Assessment Bonds | | |
|-------------|--------------------------|-------------------|---------------------|--------------------------|-------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2021 | \$ 633,585 | \$ 162,359 | \$ 795,944 | \$ 206,415 | \$ 48,157 | \$ 254,572 |
| 2022 | 518,335 | 136,960 | 655,295 | 206,665 | 38,608 | 245,273 |
| 2023 | 619,335 | 114,195 | 733,530 | 218,665 | 30,472 | 249,137 |
| 2024 | 651,150 | 86,594 | 737,744 | 224,850 | 21,840 | 246,690 |
| 2025 | 490,150 | 57,477 | 547,627 | 199,850 | 12,924 | 212,774 |
| 2026 - 2030 | 1,941,000 | 113,679 | 2,054,679 | 742,000 | 24,900 | 766,900 |
| 2031 - 2032 | 60,000 | 1,710 | 61,710 | - | - | - |
| | <u>\$ 4,913,555</u> | <u>\$ 672,974</u> | <u>\$ 5,586,529</u> | <u>\$ 1,798,445</u> | <u>\$ 176,901</u> | <u>\$ 1,975,346</u> |

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

| Year | OWDA Loans | | |
|-------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2021 | \$ 298,187 | \$ 103,339 | \$ 401,526 |
| 2022 | 222,753 | 95,945 | 318,698 |
| 2023 | 228,729 | 89,969 | 318,698 |
| 2024 | 234,865 | 83,832 | 318,697 |
| 2025 | 241,165 | 77,532 | 318,697 |
| 2026 - 2030 | 1,306,430 | 287,058 | 1,593,488 |
| 2031 - 2035 | 1,142,511 | 112,963 | 1,255,474 |
| 2036 - 2037 | 255,307 | 7,128 | 262,435 |
| | <u>\$ 3,929,947</u> | <u>\$ 857,766</u> | <u>\$ 4,787,713</u> |

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, 2020:

| Year Ending December 31, | Lease Payments Governmental Activities | Lease Payments Business-Type Activities |
|--|--|---|
| 2021 | \$ 63,447 | \$ 29,344 |
| 2022 | 14,454 | 29,346 |
| 2023 | 14,454 | 29,346 |
| 2024 | 37,805 | 77,162 |
| Total minimum lease payments | 130,160 | 165,198 |
| Less: amount representing interest | (8,792) | (13,460) |
| Present value of future minimum lease payments | <u>\$ 121,368</u> | <u>\$ 151,738</u> |

NOTE 12 - DEFINED BENEFIT PENSION PLANS

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

Net Pension Liability/Asset and Net OPEB Liability

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

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

The remainder of this note includes the pension disclosures. See Note 13 for the OPEB disclosures.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

| Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013 | Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013 | Group C Members not in other Groups and members hired on or after January 7, 2013 |
|--|--|--|
| State and Local | State and Local | State and Local |
| Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit | Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit |
| Traditional Plan 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 | Traditional Plan 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 | Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35 |
| Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30 | Combined Plan Formula: 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35 |

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

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

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

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

| | <u>State and Local</u> |
|--|----------------------------|
| 2020 Statutory Maximum Contribution Rates | |
| Employer | 14.0 % |
| Employee * | 10.0 % |
| 2020 Actual Contribution Rates | |
| Employer: | |
| Pension | 14.0 % |
| Post-employment Health Care Benefits ***** | <u>0.0 %</u> |
| Total Employer | <u>14.0 %</u> |
| Employee | <u>10.0 %</u> |

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

***** This employer health care rate is for the traditional and combined plans. The employer contribution for the member-directed plan is 4.00%.

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$441,330 for 2020. Of this amount, \$61,607 is reported as intergovernmental payable.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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

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CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$189,818 for 2020. Of this amount, \$37,363 is reported as 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, 2020, the specific liability of the City was \$45,482 payable in semi-annual payments through the year 2035.

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

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

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

| | <u>OPERS - Traditional</u> | <u>OPERS - Combined</u> | <u>OPERS - Member- Directed</u> | <u>OP&F</u> | <u>Total</u> |
|--|--------------------------------|-----------------------------|---|---------------------|--------------|
| Proportion of the net pension liability/asset prior measurement date | 0.02251800% | 0.00000000% | 0.00000000% | 0.04976600% | |
| Proportion of the net pension liability/asset current measurement date | <u>0.02186400%</u> | <u>0.00955500%</u> | <u>0.00102100%</u> | <u>0.04917470%</u> | |
| Change in proportionate share | <u>-0.00065400%</u> | <u>0.00955500%</u> | <u>0.00102100%</u> | <u>-0.00059130%</u> | |
| Proportionate share of the net pension liability | \$ 4,321,568 | \$ - | \$ - | \$ 3,312,670 | \$ 7,634,238 |
| Proportionate share of the net pension asset | - | (19,924) | (39) | - | (19,963) |
| Pension expense | 618,603 | 2,283 | (23) | 421,096 | 1,041,959 |

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

| | OPERS - Traditional | OPERS - Combined | OPERS - Member- Directed | OP&F | Total |
|--|------------------------|---------------------|--------------------------------|-------------------|---------------------|
| Deferred outflows of resources | | | | | |
| Differences between expected and actual experience | \$ - | \$ - | \$ 128 | \$ 125,393 | \$ 125,521 |
| Changes of assumptions | 230,823 | 2,055 | 5 | 81,317 | 314,200 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 21,851 | - | - | 58,457 | 80,308 |
| Contributions subsequent to the measurement date | 434,614 | 6,376 | 339 | 189,818 | 631,147 |
| Total deferred outflows of resources | <u>\$ 687,288</u> | <u>\$ 8,431</u> | <u>\$ 472</u> | <u>\$ 454,985</u> | <u>\$ 1,151,176</u> |
| | | | | | |
| | OPERS - Traditional | OPERS - Combined | OPERS - Member- Directed | OP&F | Total |
| Deferred inflows of resources | | | | | |
| Differences between expected and actual experience | \$ 54,640 | \$ 4,672 | \$ - | \$ 170,850 | \$ 230,162 |
| Net difference between projected and actual earnings on pension plan investments | 862,053 | 2,581 | 10 | 160,028 | 1,024,672 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 100,711 | - | - | 100,843 | 201,554 |
| Total deferred inflows of resources | <u>\$ 1,017,404</u> | <u>\$ 7,253</u> | <u>\$ 10</u> | <u>\$ 431,721</u> | <u>\$ 1,456,388</u> |

\$631,147 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability/asset in the year ending December 31, 2021.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

| Year Ending December 31: | OPERS - Traditional | OPERS - Combined | OPERS - Member- Directed | OP&F | Total |
|--------------------------|------------------------|---------------------|--------------------------------|---------------------|---------------------|
| 2021 | \$ (146,340) | \$ (1,270) | \$ 17 | \$ (39,882) | \$ (187,475) |
| 2022 | (311,797) | (1,221) | 16 | (22,621) | (335,623) |
| 2023 | 35,697 | (502) | 16 | 64,033 | 99,244 |
| 2024 | (342,290) | (1,440) | 11 | (150,448) | (494,167) |
| 2025 | - | (267) | 12 | (17,636) | (17,891) |
| Thereafter | - | (498) | 51 | - | (447) |
| Total | <u>\$ (764,730)</u> | <u>\$ (5,198)</u> | <u>\$ 123</u> | <u>\$ (166,554)</u> | <u>\$ (936,359)</u> |

Actuarial Assumptions - OPERS

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

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

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

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

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|--------------|--------------------------|--------------|
| City's proportionate share of the net pension liability (asset): | | | |
| Traditional Pension Plan | \$ 7,127,664 | \$ 4,321,568 | \$ 1,798,970 |
| Combined Plan | (12,039) | (19,924) | (25,607) |
| Member-Directed Plan | (20) | (39) | (51) |

Actuarial Assumptions - OP&F

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

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

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

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

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

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

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

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

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

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

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

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

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 12 - DEFINED BENEFIT PENSION PLANS - (Continued)

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.20 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%. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00%. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

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

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|--|--------------------|----------------------------------|--------------------|
| City's proportionate share of the net pension liability | \$ 4,591,246 | \$ 3,312,670 | \$ 2,243,269 |

NOTE 13 - DEFINED BENEFIT OPEB PLANS

Net OPEB Liability

See Note 12 for a description of the net OPEB liability.

Plan Description - Ohio Public Employees Retirement System (OPERS)

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

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

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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' Annual Report referenced below for additional information.

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

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

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

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

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

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$135 for 2020. Of this amount, \$19 is reported as intergovernmental payable.

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

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

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

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

The City's contractually required contribution to OP&F was \$4,995 for 2020. Of this amount, \$983 is reported as intergovernmental payable.

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

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

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

| | OPERS | OP&F | Total |
|---|---------------------|---------------------|--------------|
| Proportion of the net OPEB liability | | | |
| prior measurement date | 0.02153700% | 0.04976600% | |
| Proportion of the net OPEB liability | | | |
| current measurement date | <u>0.02068400%</u> | <u>0.04917470%</u> | |
| Change in proportionate share | <u>-0.00085300%</u> | <u>-0.00059130%</u> | |
| Proportionate share of the net OPEB liability | \$ 2,856,998 | \$ 485,734 | \$ 3,342,732 |
| OPEB expense | \$ 8,099 | \$ 53,547 | \$ 61,646 |

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

| | OPERS | OP&F | Total |
|--|-------------------|-------------------|---------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 75 | \$ - | \$ 75 |
| Changes of assumptions | 452,233 | 283,979 | 736,212 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 223,680 | 52,902 | 276,582 |
| Contributions subsequent to the measurement date | 135 | 4,995 | 5,130 |
| Total deferred outflows of resources | <u>\$ 676,123</u> | <u>\$ 341,876</u> | <u>\$ 1,017,999</u> |
| | OPERS | OP&F | Total |
| Deferred inflows of resources | | | |
| Differences between expected and actual experience | \$ 261,284 | \$ 52,237 | \$ 313,521 |
| Net difference between projected and actual earnings on OPEB plan investments | 145,479 | 22,351 | 167,830 |
| Changes of assumptions | - | 103,517 | 103,517 |
| Changes in employer's proportionate percentage/ difference between employer contributions | 15,764 | 33,757 | 49,521 |
| Total deferred inflows of resources | <u>\$ 422,527</u> | <u>\$ 211,862</u> | <u>\$ 634,389</u> |

\$5,130 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending December 31, 2021.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

| Year Ending December 31: | OPERS | OP&F | Total |
|--------------------------|------------|------------|------------|
| 2021 | \$ 196,399 | \$ 23,001 | \$ 219,400 |
| 2022 | 119,113 | 23,001 | 142,114 |
| 2023 | 113 | 27,586 | 27,699 |
| 2024 | (62,164) | 20,361 | (41,803) |
| 2025 | - | 21,294 | 21,294 |
| Thereafter | - | 9,776 | 9,776 |
| Total | \$ 253,461 | \$ 125,019 | \$ 378,480 |

Actuarial Assumptions - OPERS

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

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

| | |
|--|--|
| Wage Inflation | 3.25% |
| Projected Salary Increases, including inflation | 3.25 to 10.75% including wage inflation |
| Single Discount Rate: | |
| Current measurement date | 3.16% |
| Prior Measurement date | 3.96% |
| Investment Rate of Return | |
| Current measurement date | 6.00% |
| Prior Measurement date | 6.00% |
| Municipal Bond Rate | |
| Current measurement date | 2.75% |
| Prior Measurement date | 3.71% |
| Health Care Cost Trend Rate | |
| Current measurement date | 10.00% initial, 3.50% ultimate in 2030 |
| Prior Measurement date | 7.50%, initial 3.25%, ultimate in 2029 |
| Actuarial Cost Method | Individual Entry Age Normal |

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

The allocation of investment assets within the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

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

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

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

| | <u>1% Decrease</u> | <u>Current Discount Rate</u> | <u>1% Increase</u> |
|---|--------------------|----------------------------------|--------------------|
| City's proportionate share of the net OPEB liability | \$ 3,738,840 | \$ 2,856,998 | \$ 2,150,929 |

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

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

| | <u>1% Decrease</u> | <u>Current Health Care Trend Rate Assumption</u> | <u>1% Increase</u> |
|---|--------------------|--|--------------------|
| City's proportionate share of the net OPEB liability | \$ 2,772,690 | \$ 2,856,998 | \$ 2,940,231 |

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

Changes between Measurement Date and Reporting Date

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

Actuarial Assumptions - OP&F

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

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

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

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

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

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

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

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

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

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

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

Note: assumptions are geometric.

* levered 2x

** numbers include inflation

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 13 - DEFINED BENEFIT OPEB PLANS - (Continued)

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

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

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

| | 1% Decrease | Current Discount Rate | 1% Increase |
|---|-------------|--------------------------|-------------|
| City's proportionate share of the net OPEB liability | \$ 602,279 | \$ 485,734 | \$ 388,894 |

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

NOTE 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 reduce its limits of liability during 2020.

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.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 14 - RISK MANAGEMENT - (Continued)

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 2021, 12% for 2022 and 13% for 2023 for those collective bargaining agreements that have been settled.

Changes in the internal service fund's claim liability amount in 2020 and 2019 were as follows:

| | <u>Balance January 1</u> | <u>Current Year Claims</u> | <u>Claims Payments</u> | <u>Balance December 31</u> |
|------|------------------------------|--------------------------------|----------------------------|--------------------------------|
| 2019 | \$ 163,278 | \$ 477,814 | \$ (641,092) | \$ - |
| 2020 | - | - | - | - |

NOTE 15 – INTERFUND ACTIVITY

A. Interfund Transfers

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

| | |
|--|---------------|
| <u>Transfers from the general fund to:</u> | <u>Amount</u> |
| Nonmajor governmental funds | \$ 250,484 |

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.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

B. Advances To/From Other Funds

In prior years, the general fund advanced \$20,000 to the water fund to fund the various capital projects and administration support before the receipts of grants or other sources of revenue. The outstanding advance is \$20,000 and is not expected to be repaid within one year.

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CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 16 – FUND BALANCE

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

| Fund balance | General | Road Improvement Levy | Fire Apparatus | Fire Station No. 1 Project | Nonmajor Governmental Funds | Total Governmental Funds |
|-------------------------------------|--------------|--------------------------|-------------------|-------------------------------|-----------------------------------|--------------------------------|
| Nonspendable: | | | | | | |
| Materials and supplies inventory | \$ - | \$ - | \$ - | \$ - | \$ 25,288 | \$ 25,288 |
| Prepays | 70,958 | - | - | - | 11,127 | 82,085 |
| Unclaimed funds | 15,407 | - | - | - | - | 15,407 |
| Endowment | - | - | - | - | 66,906 | 66,906 |
| Total nonspendable | 86,365 | - | - | - | 103,321 | 189,686 |
| Restricted: | | | | | | |
| Street construction and maintenance | - | 2,135,510 | - | - | 567,615 | 2,703,125 |
| Court activities | - | - | - | - | 438,549 | 438,549 |
| Public safety | - | - | - | - | 2,249,714 | 2,249,714 |
| Public health | - | - | - | - | 63,603 | 63,603 |
| Recreation | - | - | - | - | 267,504 | 267,504 |
| Recycling | - | - | - | - | 312,255 | 312,255 |
| Capital improvements | - | - | 2,381,452 | 169,017 | 1,377,744 | 3,928,213 |
| Other purposes | - | - | - | - | 73,031 | 73,031 |
| Total restricted | - | 2,135,510 | 2,381,452 | 169,017 | 5,350,015 | 10,035,994 |
| Committed: | | | | | | |
| General government | 3,883 | - | - | - | - | 3,883 |
| Employee retirement | 199,769 | - | - | - | - | 199,769 |
| Contractor deposits | 16,551 | - | - | - | - | 16,551 |
| Recreation | - | - | - | - | 990 | 990 |
| Storm water | - | - | - | - | 696,388 | 696,388 |
| Sanitation | - | - | - | - | 485,310 | 485,310 |
| Total committed | 220,203 | - | - | - | 1,182,688 | 1,402,891 |
| Assigned: | | | | | | |
| Public safety | 26,165 | - | - | - | - | 26,165 |
| General government | 120,731 | - | - | - | - | 120,731 |
| Leisure time activities | 244 | - | - | - | - | 244 |
| Community environment | - | - | - | - | - | - |
| Subsequent appropriations | 87,044 | - | - | - | - | 87,044 |
| Total assigned | 234,184 | - | - | - | - | 234,184 |
| Unassigned | 3,877,060 | - | - | - | - | 3,877,060 |
| Total fund balances | \$ 4,417,812 | \$ 2,135,510 | \$ 2,381,452 | \$ 169,017 | \$ 6,636,024 | \$ 15,739,815 |

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 17 – COMMITMENTS

A. Contractual Commitments

As of December 31, 2020, the City had the following contractual commitments outstanding related to the City's ongoing construction of the fire station and the water meter project:

| <u>Vendor</u> | <u>Amount of Contract</u> | <u>Amount Paid as of 12/31/2020</u> | <u>Remaining Commitment 12/31/2020</u> |
|---------------------------|-------------------------------|---|--|
| Neptune Equipment Company | \$ 2,041,780 | \$ 422,039 | \$ 1,619,741 |
| Marker, Inc. | <u>3,871,187</u> | <u>420,894</u> | <u>3,450,293</u> |
| Total | <u>\$ 5,912,967</u> | <u>\$ 842,933</u> | <u>\$ 5,070,034</u> |

B. Other Commitments

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

| <u>Fund</u> | <u>Year-End Encumbrances</u> |
|----------------------------|----------------------------------|
| General Fund | \$ 174,713 |
| Road Improvement Levy | 870,303 |
| Fire Apparatus | 42,794 |
| Fire Station No. 1 Project | 286,584 |
| Nonmajor governmental | <u>455,218</u> |
| Total | <u>\$ 1,829,612</u> |

NOTE 18 - CONTINGENCIES

A. Grants

The City receives significant financial assistance from numerous federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2020.

B. Litigation

The City 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.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 19 – TAX ABATEMENTS

The City was part of multiple Enterprise Zone (EZ) tax abatement agreements with local businesses. Enterprise zones are designated areas of land in which businesses can receive tax incentives in the form of tax exemptions on eligible new investments. The Enterprise Zone Program provides tax exemptions for a portion of the value of new real property when the investment is made in conjunction with a project that includes job creation or job retention. These tax abatements reduce assessed value by a percentage agreed upon by all parties that authorize these type of agreements. Taxes can be abated up to 100% for up to 12 years.

The City had one parcel of land that received tax abatement through the Enterprise Zone Program. The total City property taxes abated during 2020 were \$735,000.

NOTE 20 - COVID-19

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

During 2020, the City received \$710,742 as an on-behalf of grant from another government. These amounts are recorded in the Coronavirus Relief Special Revenue Fund.

NOTE 21 – CITY OF VERMILION PORT AUTHORITY

A. Description of the Entity

The City of 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.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 21 – CITY OF VERMILION PORT AUTHORITY – (Continued)

D. Budgetary Process

Budget - 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

All capital assets are capitalized at cost (or estimated historical cost, which is determined by indexing the current replacement cost back to the year of acquisition) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values on the date received. The Port Authority does not have a minimum capitalization threshold. 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 expensed.

All capital assets, except land, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciated is computed using the straight-line method over the following useful lives:

| | <u>Estimated Lives</u> |
|-------------------|------------------------|
| Land Improvements | 5 - 50 Years |
| Buildings | 20 - 50 Years |
| Vehicles | 5 - 25 Years |
| Equipment | 5 - 15 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.

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2020 (SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 21 – CITY OF VERMILION PORT AUTHORITY – (Continued)

Deposits: Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned. For 2020, 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. Capital Assets

As of December 31, 2020, the Port Authority owned land valued at \$1,059,388. In addition, depreciable capital assets are being reported as \$778,290 net of accumulated depreciation at year-end. Depreciation expense of \$33,587 was reported for 2020 with a total accumulated depreciation of \$724,480.

The capital asset activity for the year ended December 31, 2020 was as follows:

| | Balance at December 31, 2019 | Additions | Disposals | Balance at December 31, 2020 |
|---|---------------------------------|-----------------|-------------|---------------------------------|
| Capital assets, not being depreciated: | | | | |
| Land | \$ 1,059,388 | \$ - | \$ - | \$ 1,059,388 |
| Total capital assets, not being depreciated | <u>1,059,388</u> | <u>-</u> | <u>-</u> | <u>1,059,388</u> |
| Capital assets, being depreciated: | | | | |
| Land improvements | 1,328,543 | 12,580 | - | 1,341,123 |
| Buildings | 90,437 | 26,261 | - | 116,698 |
| Equipment | 44,949 | - | - | 44,949 |
| Total capital assets, being depreciated | <u>1,463,929</u> | <u>38,841</u> | <u>-</u> | <u>1,502,770</u> |
| Less: accumulated depreciation | | | | |
| Land improvements | (594,522) | (30,736) | - | (625,258) |
| Buildings | (55,134) | (2,429) | - | (57,563) |
| Equipment | (41,237) | (422) | - | (41,659) |
| Total accumulated depreciation | <u>(690,893)</u> | <u>(33,587)</u> | <u>-</u> | <u>(724,480)</u> |
| Total capital assets being depreciated, net | <u>773,036</u> | <u>5,254</u> | <u>-</u> | <u>778,290</u> |
| Total capital assets, net | <u>\$ 1,832,424</u> | <u>\$ 5,254</u> | <u>\$ -</u> | <u>\$ 1,837,678</u> |

H. Long-term Obligations

During 2000 and 2010, the Port Authority borrowed from the City with a collateralized bond. This \$910,442 bond is carrying an interest rate of 5.50% and \$13,351 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. This bond is a special obligation of the Port Authority, and the principal 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.

The long-term debt activity for the year ended December 31, 2020 was as follows:

| | Balance at December 31, 2019 | Additions | Deletions | Balance at December 31, 2020 | Amount Due in One Year |
|--------------------------|---------------------------------|-----------|-------------|---------------------------------|---------------------------|
| Note Payable Due to City | \$ 922,629 | \$ - | \$ (12,187) | \$ 910,442 | \$ 13,351 |

CITY OF VERMILION, OHIO

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)

NOTE 21 – CITY OF VERMILION PORT AUTHORITY – (Continued)

The following is a summary of the Port Authority's future annual debt service requirements to the City:

| <u>Year Ended</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------|-------------------|-------------------|---------------------|
| 2021 | \$ 13,351 | \$ 18,213 | \$ 31,564 |
| 2022 | 14,564 | 17,946 | 32,510 |
| 2023 | 15,831 | 17,654 | 33,485 |
| 2024 | 17,152 | 17,338 | 34,490 |
| 2025 | 18,530 | 16,995 | 35,525 |
| 2026 - 2030 | 115,442 | 78,821 | 194,263 |
| 2031 - 2035 | 159,623 | 65,580 | 225,203 |
| 2036 - 2040 | 555,949 | 42,344 | 598,293 |
| Total | <u>\$ 910,442</u> | <u>\$ 274,891</u> | <u>\$ 1,185,333</u> |

I. Related Party Transactions

As mentioned above, 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 \$910,442 outstanding as of December 31, 2020.

J. 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.

K. Litigation

The Port Authority is involved in no material litigation as either plaintiff or defendant.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VERMILION, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST SEVEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|--------------|--------------|--------------|--------------|
| <i>Traditional Plan:</i> | | | | |
| City's proportion of the net pension liability | 0.021864% | 0.022518% | 0.022247% | 0.023019% |
| City's proportionate share of the net pension liability | \$ 4,321,568 | \$ 6,167,224 | \$ 3,490,123 | \$ 5,227,223 |
| City's covered payroll | \$ 3,076,271 | \$ 3,089,807 | \$ 2,954,577 | \$ 2,926,733 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 140.48% | 199.60% | 118.13% | 178.60% |
| Plan fiduciary net position as a percentage of the total pension liability | 82.17% | 74.70% | 84.66% | 77.25% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| 2016 | 2015 | 2014 |
|--------------|--------------|--------------|
| 0.022662% | 0.020771% | 0.020771% |
| \$ 3,925,344 | \$ 2,505,215 | \$ 2,448,630 |
| \$ 2,860,067 | \$ 2,561,875 | \$ 2,493,038 |
| 137.25% | 97.79% | 98.22% |
| 81.08% | 86.45% | 86.36% |

CITY OF VERMILION, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

**LAST SEVEN YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)**

| | 2020 | 2019 | 2018 | 2017 |
|--|--------------|--------------|--------------|--------------|
| City's proportion of the net pension liability | 0.04917470% | 0.04976600% | 0.05065000% | 0.04884500% |
| City's proportionate share of the net pension liability | \$ 3,312,670 | \$ 4,062,221 | \$ 3,108,631 | \$ 3,093,797 |
| City's covered payroll | \$ 1,298,221 | \$ 1,283,868 | \$ 1,365,874 | \$ 1,041,774 |
| City's proportionate share of the net pension liability as a percentage of its covered payroll | 255.17% | 316.40% | 227.59% | 296.97% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.89% | 63.07% | 70.91% | 68.36% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|----|-------------|--------------|--------------|
| | 0.05066800% | 0.05018400% | 0.05018400% |
| \$ | 3,259,538 | \$ 2,599,720 | \$ 2,444,099 |
| \$ | 1,083,942 | \$ 1,106,389 | \$ 1,104,520 |
| | 300.71% | 234.97% | 221.28% |
| | 66.77% | 71.71% | 72.53% |

CITY OF VERMILION, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

LAST EIGHT YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|------------------|------------------|------------------|------------------|
| <i>Traditional Plan:</i> | | | | |
| Contractually required contribution | \$ 434,614 | \$ 430,678 | \$ 432,573 | \$ 384,095 |
| Contributions in relation to the contractually required contribution | <u>(434,614)</u> | <u>(430,678)</u> | <u>(432,573)</u> | <u>(384,095)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 3,104,386 | \$ 3,076,271 | \$ 3,089,807 | \$ 2,954,577 |
| Contributions as a percentage of covered payroll | 14.00% | 14.00% | 14.00% | 13.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|------------------|------------------|------------------|------------------|
| \$ 351,208 | \$ 343,208 | \$ 307,425 | \$ 324,095 |
| <u>(351,208)</u> | <u>(343,208)</u> | <u>(307,425)</u> | <u>(324,095)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 2,926,733 | \$ 2,860,067 | \$ 2,561,875 | \$ 2,493,038 |
| 12.00% | 12.00% | 12.00% | 13.00% |

CITY OF VERMILION, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

**LAST EIGHT YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)**

| | 2020 | 2019 | 2018 | 2017 |
|--|-------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 189,818 | \$ 246,662 | \$ 243,935 | \$ 259,516 |
| Contributions in relation to the contractually required contribution | (189,818) | (246,662) | (243,935) | (259,516) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - |
| City's covered payroll | \$ 999,042 | \$ 1,298,221 | \$ 1,283,868 | \$ 1,365,874 |
| Contributions as a percentage of covered payroll | 19.00% | 19.00% | 19.00% | 19.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|------------------|------------------|------------------|------------------|
| \$ 197,937 | \$ 205,949 | \$ 210,214 | \$ 173,741 |
| <u>(197,937)</u> | <u>(205,949)</u> | <u>(210,214)</u> | <u>(173,741)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 1,041,774 | \$ 1,083,942 | \$ 1,106,389 | \$ 1,104,520 |
| 19.00% | 19.00% | 19.00% | 15.73% |

CITY OF VERMILION, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

**LAST FOUR YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)**

| | 2020 | 2019 | 2018 | 2017 |
|---|--------------|--------------|--------------|--------------|
| City's proportion of the net OPEB liability | 0.020684% | 0.021537% | 0.021112% | 0.021983% |
| City's proportionate share of the net OPEB liability | \$ 2,856,998 | \$ 2,807,916 | \$ 2,292,608 | \$ 2,220,358 |
| City's covered payroll | \$ 3,076,271 | \$ 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 | 92.87% | 90.88% | 77.60% | 75.86% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 47.80% | 46.33% | 54.14% | 54.05% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VERMILION, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

**LAST FOUR YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)**

| | 2020 | 2019 | 2018 | 2017 |
|---|--------------|--------------|--------------|--------------|
| City's proportion of the net OPEB liability | 0.04917470% | 0.04976600% | 0.05065000% | 0.04884500% |
| City's proportionate share of the net OPEB liability | \$ 485,734 | \$ 453,196 | \$ 2,869,775 | \$ 2,318,560 |
| City's covered payroll | \$ 1,298,221 | \$ 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 | 37.42% | 35.30% | 210.11% | 222.56% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 47.08% | 46.57% | 14.13% | 15.96% |

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

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

CITY OF VERMILION, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

**LAST EIGHT YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|--------------------|--------------------|--------------------|--------------------|
| Contractually required contribution | \$ 135 | \$ - | \$ - | \$ 30,149 |
| Contributions in relation to the contractually required contribution | <u>(135)</u> | <u>-</u> | <u>-</u> | <u>(30,149)</u> |
| Contribution deficiency (excess) | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> |
| City's covered payroll | \$ 3,104,386 | \$ 3,076,271 | \$ 3,089,807 | \$ 2,954,577 |
| Contributions as a percentage of covered payroll | 0.00% | 0.00% | 0.00% | 1.00% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|-----------------|-----------------|-----------------|-----------------|
| \$ 60,974 | \$ 58,970 | \$ 52,779 | \$ 25,701 |
| <u>(60,974)</u> | <u>(58,970)</u> | <u>(52,779)</u> | <u>(25,701)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 2,926,733 | \$ 2,860,067 | \$ 2,561,875 | \$ 2,493,038 |
| 2.00% | 2.00% | 2.00% | 1.00% |

CITY OF VERMILION, OHIO

SCHEDULES OF THE REQUIRED SUPPLEMENTARY INFORMATION

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

**LAST EIGHT YEARS
(SEE ACCOUNTANT'S COMPILATION REPORT)**

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|--------------------|--------------------|--------------------|--------------------|
| Contractually required contribution | \$ 4,995 | \$ 8,858 | \$ 6,419 | \$ 6,829 |
| Contributions in relation to the contractually required contribution | <u>(4,995)</u> | <u>(8,858)</u> | <u>(6,419)</u> | <u>(6,829)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City's covered payroll | \$ 999,042 | \$ 1,298,221 | \$ 1,283,868 | \$ 1,365,874 |
| Contributions as a percentage of covered payroll | 0.50% | 0.50% | 0.50% | 0.50% |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|----------------|----------------|----------------|-----------------|
| \$ 5,209 | \$ 5,420 | \$ 5,532 | \$ 41,641 |
| <u>(5,209)</u> | <u>(5,420)</u> | <u>(5,532)</u> | <u>(41,641)</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 1,041,774 | \$ 1,083,942 | \$ 1,106,389 | \$ 1,104,520 |
| 0.50% | 0.50% | 0.50% | 3.77% |

CITY OF VERMILION, OHIO

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)**

PENSION

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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

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

(Continued)

CITY OF VERMILION, OHIO

**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2020
(SEE ACCOUNTANT'S COMPILATION REPORT)**

OTHER POSTEMPLOYMENT BENEFITS (OPEB)

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

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

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

OHIO POLICE AND FIRE (OP&F) PENSION FUND

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

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